

ETHEKWINI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

General Information

LEGAL FORM OF ENTITY	Metropolitan Municipality
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	High Capacity, Category A, Local Authority
ACCOUNTING OFFICER	Mr. S. Nzuza
REGISTERED OFFICE	City Hall Dr. Pixle KaSeme Street Durban 4000
POSTAL ADDRESS	P O Box 1014 Durban 4000
MUNICIPALITY	Municipality incorporated in South Africa
BANKERS	Nedbank P O Box 5662, Durban, 4000
AUDITORS	The Auditor-General, South Africa

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Index

The reports and statements set out below comprise the annual financial statements presented to the Councillors:

	PAGE
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of comparison of budget and actual amounts	9 - 11
Accounting Policies	12 - 35
Notes to the Annual Financial Statements	36 - 111
Appendices: (unaudited)	
Appendix A: Segmental Analysis of Property, Plant and Equipment (unaudited)	112 - 113
Appendix B: Segmental Statement of Financial Performance (unaudited)	114
Appendix C: Disclosure of Grants and Subsidies in terms of Section 123 of the MFMA (unaudited)	115
Appendix D: Moses Mabhida Stadium - Statement of Financial Performance (unaudited)	116

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Index

COID	Compensation for Occupational Injuries and Diseases
VAT	Value Added Tax
DBSA	Development Bank of South Africa
MFMA	Municipal Finance Management Act
GRAP	Generally Recognised Accounting Practice
PPE	Property, Plant and Equipment
HDF	Housing Development Fund
SALA	South African Local Authority Pension Fund
MSCOA	Municipal Standard Chart of Accounts
DMOSS	Durban Metropolitan Open Space System
ME's	Municipal Entities
SALGA	South African Local Government Authority
GEPF	Government Employees Pension Fund
NJMPF	Natal Joint Municipal Pension Fund
DOHS	Department of Human Settlements
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee

eThekweni Municipality

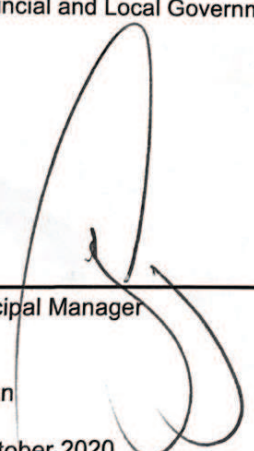
Annual Financial Statements for the year ended 30 June 2020

Municipal Manager

I am responsible for the preparation of these annual financial statements, which are set out on pages x to xxx, in terms of Section 126(1) of the Municipal Finance Management Act, Act 56 of 2003 and which I have signed on behalf of the Municipality.

The annual financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

Durban

30 October 2020

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Statement of Financial Position as at June 30, 2020

Figures in Rand thousand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	2	686,488	599,694
Investments	9	3,750,000	5,950,000
Receivables from exchange transactions	3	2,239,238	2,682,222
Receivables from non-exchange transactions	4	50,615	57,108
VAT receivable	5	195,943	324,010
Consumer debtors	6	6,361,506	5,741,251
Current portion of long term receivables	7	59,582	51,363
Call investment deposits	8	530,000	465,000
Cash and bank balances	9	211,438	241,248
		14,084,810	16,111,896
Non-Current Assets			
Investment property	10	207,688	209,064
Property, plant and equipment	11	52,969,218	50,998,169
Intangible assets	12	593,759	693,495
Heritage assets	13	24,769	24,739
Investments in Municipal Entities	14	771,655	769,331
Interest in Joint Ventures	15	96,493	105,971
Long term receivables	7	65,642	82,087
		54,729,224	52,882,856
Total Assets		68,814,034	68,994,752
Liabilities			
Current Liabilities			
External borrowings	16	851,433	1,098,628
Payables from exchange transactions	17	7,503,149	6,783,116
Transfers payable from non-exchange transactions	18	47,785	19,068
Consumer deposits	19	2,489,276	2,348,727
Employee benefit obligation	20	817,184	658,756
Unspent conditional grants and receipts	21	1,189,780	1,570,932
Provisions	22	953,764	808,715
		13,852,371	13,287,942
Non-Current Liabilities			
External borrowings	16	7,515,742	8,321,287
Employee benefit obligation	20	2,977,472	3,295,808
Provisions	22	1,258,535	1,313,047
		11,751,749	12,930,142
Total Liabilities		25,604,120	26,218,084
Net Assets		43,209,914	42,776,668
Housing Development Fund	23	57,470	57,470
Accumulated surplus		43,152,444	42,719,198
Total net assets		43,209,914	42,776,668

* See Note 46

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	19,772,395	17,932,988
Housing development construction contract revenue	25	350,419	428,300
Rental of facilities and equipment	26	710,220	700,730
Other income	27	311,122	358,406
Interest received	28	814,448	988,797
Gains on disposal of assets		6,233	-
Total revenue from exchange transactions		21,964,837	20,409,221
Revenue from non-exchange transactions			
Taxation revenue			
Fines	29	188,619	160,664
Property rates	30	8,685,224	8,471,633
Property rates - penalties imposed		172,690	220,690
Donations - Property, plant and equipment	11	279	458
Licences and permits		48,055	57,059
Transfer revenue			
Government grants & subsidies	31	6,756,317	5,886,596
Levies	32	2,610,602	2,338,680
Public contributions and donations		14,754	3,133
Reversal of loss on impairment - Investment properties	10	-	3,927
Reversal of impairment - Municipal Entities	14	2,323	-
Total revenue from non-exchange transactions		18,478,863	17,142,840
Total revenue		40,443,700	37,552,061
Expenditure			
Employee related costs	33	(11,048,961)	(10,338,723)
Remuneration of councillors	34	(131,614)	(126,495)
Amortisation - Intangible assets	12	(236,016)	(234,755)
Impairment Loss - Investment properties	10	(585)	(2,726)
Depreciation - Property, plant and equipment	11	(2,403,442)	(2,320,952)
Impairment Loss - Property, plant and equipment	11	(16,017)	(17,694)
Finance costs	35	(892,076)	(855,919)
Lease rentals on operating lease		(143,418)	(128,837)
Debt impairment	50	(2,796,569)	(1,193,256)
Depreciation - Investment properties	10	(791)	(782)
Bulk purchases	36	(13,237,264)	(11,481,015)
Contracted services	37	(4,951,806)	(4,687,932)
Grants and subsidies	38	(755,314)	(550,304)
Housing development construction contract expenditure	25	(350,419)	(428,300)
Loss on disposal of assets		-	(2,041)
Share of losses from Joint Ventures	15	(9,478)	(2,484)
Impairment loss - Investment in Municipal Entities	14	-	(48,630)
General expenses	39	(3,009,054)	(3,110,321)
Total expenditure		(39,982,824)	(35,531,166)
Surplus for the year		460,876	2,020,895

* See Note 46

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Statement of Changes in Net Assets

	Housing Development Fund	Accumulated surplus	Total net assets
Figures in Rand thousand			
Opening balance as previously reported	57,470	40,356,021	40,413,491
Adjustments:			
Prior year adjustments (prior to 2018/19)	-	394,748	394,748
Balance at July 01, 2018 as restated	57,470	40,750,769	40,808,239
Changes in net assets			
Surplus for the year as previously reported	-	2,210,661	2,210,661
Change in estimates - Landfill sites (as previously reported)	-	437	437
Change in estimates - Landfill sites (additional adjustment)	-	185	185
Change in estimates - Traffic fines	-	(53,088)	(53,088)
Total changes	-	2,158,195	2,158,195
Opening balance	57,470	42,908,964	42,966,434
Adjustments:			
Prior year adjustments (2018/19)	-	(189,766)	(189,766)
Balance at July 01, 2019 as restated*	57,470	42,719,198	42,776,668
Changes in net assets			
Surplus for the year	-	460,876	460,876
Change in estimates - Traffic fines	-	(35,101)	(35,101)
Change in estimates - Landfill sites	-	7,471	7,471
Total changes	-	433,246	433,246
Balance at June 30, 2020	57,470	43,152,444	43,209,914

* See Note 46

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Cash Flow Statement

Figures in Rand thousand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Ratepayers, consumers, government and other		36,399,858	33,942,783
Interest income		814,448	988,797
		37,214,306	34,931,580
Payments			
Employee costs and suppliers		(32,902,051)	(29,733,316)
Finance costs		(892,076)	(855,919)
		(33,794,127)	(30,589,235)
Net cash flows from operating activities	40	3,420,179	4,342,345
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(4,392,426)	(4,837,524)
Proceeds from sale of property, plant and equipment, intangibles and investment properties	11	9,307	2,207
Purchase of other intangible assets	12	(137,157)	(196,388)
Purchase of heritage assets	13	(30)	(203)
Increase in non-current receivables		(11,943)	(11,372)
Net cash flows from investing activities		(4,532,249)	(5,043,280)
Cash flows from financing activities			
Proceeds from external borrowings		-	2,000,000
Repayment of external borrowings		(1,052,740)	(741,185)
Net cash flows from financing activities		(1,052,740)	1,258,815
Net increase/(decrease) in cash and cash equivalents		(2,164,810)	557,880
Cash and cash equivalents at the beginning of the year		6,656,248	6,098,368
Cash and cash equivalents at the end of the year	9	4,491,438	6,656,248

Purchases of capital assets exclude non-cash items such as donations and prior year cost adjustments as disclosed on the prior year adjustment note.

* See Note 46

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	8,200,000	125,950	8,325,950	-	-	8,325,950	8,865,224	-	539,274	106 %	108 %
Service charges	21,751,776	-	21,751,776	-	-	21,751,776	19,772,395	-	(1,979,381)	91 %	91 %
Investment revenue	496,587	(7,783)	488,804	-	-	488,804	488,134	-	(670)	100 %	98 %
Transfers recognised - operational	6,406,975	(2,178,480)	4,228,495	-	-	4,228,495	4,167,682	-	(60,813)	99 %	65 %
Other own revenue	1,854,035	2,610,602	4,464,637	-	-	4,464,637	4,561,630	-	96,993	102 %	246 %
Total revenue (excluding capital transfers and contributions)	38,709,373	550,289	39,259,662	-	-	39,259,662	37,855,065	-	(1,404,597)	96 %	98 %
Employee costs	(11,370,501)	248,033	(11,122,468)	-	-	(11,122,468)	(11,048,961)	-	73,507	99 %	97 %
Remuneration of councillors	(134,127)	715	(133,412)	-	-	(133,412)	(131,614)	-	1,798	99 %	98 %
Debt impairment	(1,072,286)	-	(1,072,286)	-	-	(1,072,286)	(2,796,569)	(1,724,283)	(1,724,283)	261 %	261 %
Depreciation and asset impairment	(2,675,484)	46,200	(2,629,284)	-	-	(2,629,284)	(2,656,851)	(27,567)	(27,567)	101 %	99 %
Finance charges	(974,356)	109,177	(865,179)	-	-	(865,179)	(892,076)	(26,922)	(26,897)	103 %	92 %
Materials and bulk purchases	(14,087,870)	(728,668)	(14,816,538)	-	-	(14,816,538)	(14,359,317)	-	457,221	97 %	102 %
Transfers and grants	(590,631)	(209,480)	(800,111)	-	-	(800,111)	(755,314)	-	44,797	94 %	128 %
Other expenditure	(7,278,125)	(376,095)	(7,654,220)	-	-	(7,654,220)	(7,332,644)	-	321,576	96 %	101 %
Total expenditure	(38,183,380)	(910,118)	(39,093,498)	-	-	(39,093,498)	(39,973,346)	(1,778,772)	(879,848)	102 %	105 %
Surplus/(Deficit)	525,993	(359,829)	166,164	-	-	166,164	(2,118,281)	-	(2,284,445)	(1,275)%	(403)%

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	3,494,707	(814,309)	2,680,398	-	-	2,680,398	2,588,635		(91,763)	97 %	74 %
Surplus (Deficit) after capital transfers and contributions	4,020,700	(1,174,138)	2,846,562	-	-	2,846,562	470,354		(2,376,208)	17 %	12 %
Share of (surplus) deficit of associate	-	-	-	-	-	-	9,478		9,478	- %	DIV/0 %
Surplus/(Deficit) for the year	4,020,700	(1,174,138)	2,846,562	-	-	2,846,562	460,876		(2,385,686)	16 %	11 %
Capital expenditure and funds sources											
Total capital expenditure	7,147,795	(2,274,653)	4,873,142	-	-	4,873,142	4,531,586		(341,556)	93 %	63 %
Sources of capital funds											
Transfers recognised - capital	2,892,938	(212,539)	2,680,399	-	-	2,680,399	2,588,635		(91,764)	97 %	89 %
Borrowing	1,654,597	(1,562,597)	92,000	-	-	92,000	82,361		(9,639)	90 %	5 %
Internally generated funds	2,600,260	(499,517)	2,100,743	-	-	2,100,743	1,860,590		(240,153)	89 %	72 %
Total sources of capital funds	7,147,795	(2,274,653)	4,873,142	-	-	4,873,142	4,531,586		(341,556)	93 %	63 %

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Appropriation Statement

Figures in Rand thousand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	6,417,118	(2,894,723)	3,522,395	-	-	3,522,395	3,420,179		(102,216)	97 %	53 %
Net cash from (used) investing	(7,749,871)	2,876,420	(4,873,451)	-	-	(4,873,451)	(4,532,249)		341,202	93 %	58 %
Net cash from (used) financing	550,658	(1,501,685)	(951,027)	-	-	(951,027)	(1,052,740)		(101,713)	111 %	(191)%
Net increase/(decrease) in cash and cash equivalents	(782,095)	(1,519,988)	(2,302,083)	-	-	(2,302,083)	(2,164,810)		137,273	94 %	277 %
Cash and cash equivalents at the beginning of the year	6,754,831	-	6,754,831	-	-	6,754,831	6,656,248		(98,583)	99 %	99 %
Cash and cash equivalents at year end	5,972,736	(1,519,988)	4,452,748	-	-	4,452,748	4,491,438		38,690	101 %	75 %

Refer to note 55 for details on material variances between budget and actual figures.

Accounting Policies

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in terms of section 122 of the Municipal Finance Management Act.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. These accounting policies and the applicable disclosures have been based on the International Public Sector Accounting Standards and the International Financial Reporting Standards, including any interpretations of such Statements issued by the International Accounting Standards Board and International Public Sector Accounting Standards Board respectively.

Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. Only Standards of GRAP, IGRAP Standards, Directives, Guidelines and IFRS Standards applicable to the Municipality have been disclosed. The Minister has determined the effective date for the following Standards of GRAP:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 Consolidated and Separate Financial Statements
GRAP 7 Investments in Associates
GRAP 8 Interests in Joint Ventures
GRAP 9 Revenue from Exchange Transactions
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the Reporting Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 Related Party Disclosures
GRAP 21 Impairment of Non-cash-generating Assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee Benefits
GRAP 26 Impairment of Cash-generating Assets
GRAP 27 Agriculture
GRAP 31 Intangible Assets
GRAP 32 Service Concession Arrangements: Grantor
GRAP 100 Discontinued Operations
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 105 Transfer of Functions Between Entities Under Common Control
GRAP 106 Transfer of Functions Between Entities Not Under Common Control
GRAP 107 Mergers
GRAP 108 Statutory Receivables
GRAP 109 Accounting by Principals and Agents

Accounting Policies

Directives issued and effective:

Directive 1: Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2: Transitional Provisions for Public Entities, Trading Entities, Municipal Entities, Public Further Education and Training Colleges and Constitutional Institutions.
Directive 3: Transitional Provisions for High Capacity Municipalities.
Directive 5: Determining the GRAP reporting framework.
Directive 7: The Application of Deemed Cost on the Adoption of Standards of GRAP
Directive 9: The Application of The Standards of GRAP by Trading Entities
Directive 11: Changes in the Measurement Bases following Initial Adoption of Standards of GRAP

Interpretations of the Standards of GRAP

IGRAP 1: Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3: Determining whether an Arrangement Contains a Lease
IGRAP 4: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8: Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9: Distributions of Non-cash Assets to Owners
IGRAP 10: Assets Received from Customers
IGRAP 11: Consolidation - Special Purpose Entities
IGRAP 12: Jointly Controlled Entities - Non-Monetary Contributions by Venturers
IGRAP 13: Operating Leases – Incentives
IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15: Revenue – Barter Transactions Involving Advertising Services
IGRAP 16: Intangible Assets - Website Costs
IGRAP 17: Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18: Recognition and Derecognition of Land
IGRAP 19: Liabilities to Pay Levies

Approved guidelines of Standards of GRAP:

Guide 1: Guideline on Accounting for Public Private Partnerships

Effective IFRS Standards and IFRIC Interpretations that are applied considering the provisions in paragraphs .21 to .21 of Directive 5:

IFRS 4 (AC 141) Insurance Contracts
IAS 12 (AC 102) Income Taxes
SIC - 25 (AC 425) Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
SIC - 29 (AC 429) Service Concession Arrangements - Disclosures
IFRIC 12 (AC 445) Service Concession Arrangements
IFRIC 22 Foreign Currency Transactions and Advance Consideration
IFRIC 23 Uncertainty Over Income Tax Treatments

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Standards of GRAP and Interpretations of Standards of GRAP approved, but not yet effective:

Accounting Policies

GRAP 34: Separate Financial Statements:

Compliance with this standard would not have had an effect on presentation.

GRAP 35: Consolidated Financial Statements:

Compliance with this standard would have had an effect on presentation with regards to accounting for investments in joint ventures. Based on current standards, proportionate consolidation is permitted, whereas in new standards only the equity method is permitted for consolidated financial statements.

GRAP 36: Investments in Associates and Joint Ventures:

Compliance with this standard would have had an effect on presentation with regards to accounting for investments in joint ventures. Based on current standards, proportionate consolidation is permitted, whereas in new standards only the equity method is permitted for consolidated financial statements.

GRAP 37: Joint Arrangements:

Compliance with this standard would not have had an effect on presentation.

GRAP 38: Disclosure of Interests in Other Entities:

Compliance with this standard would have had an effect on disclosure based on additional disclosure requirements.

GRAP 110: Living and Non-living Resources:

Compliance with this standard would have an impact on presentation and disclosure based on the additional requirements.

A summary of the significant accounting policies are disclosed below. These accounting policies are consistent with the previous year, unless otherwise stated.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

1.2 Going concern assumption

These Annual Financial Statements have been prepared on a going concern basis (refer note 59).

1.3 Materiality

Materiality is informed by both quantitative and qualitative factors. In order to determine materiality in the context of these quantitative and qualitative factors, it is important to establish the primary users of the municipality's financial statements.

The mandate of the municipality is to provide service delivery to its constituents in line with the Integrated Development Plan, the Constitution, together with National and Provincial strategic objectives. The primary users of the financial statements are therefore the municipality's service constituents and these users are mainly interested in information pertaining to sustainable service delivery.

Qualitative materiality refers to the non-financial information that is useful to the users of financial statements as it impacts on their ability to make informed decisions. Information about compliance or non-compliance with legislation, supporting regulations or similar means may be material because of its nature, irrespective of the magnitude of any amounts involved. Nature refers to, amongst others, the legislative requirements, new laws, public interest, importance of balances or transactions, complexity of transactions and ethics.

Accounting Policies

1.3 Materiality (continued)

The following information is qualitatively material based on the needs of the users of the municipality's financial statements:

- Disclosures required by the applicable regulatory reporting framework and legislations
- Information that is in the public interest
- Governance and ethical considerations
- Complex transactions requiring high degree of estimation or judgement
- Transactions not within the normal operations of the municipality
- Related party disclosures
- Information that has an impact on key ratios used to evaluate the municipality's financial position, results of operations or cash flows. i.e. MFMA Circular 71 Uniform Financial Ratios

Professional judgement is exercised in assessing the importance of these qualitative factors in determining materiality.

Quantitative materiality refers to the financial information that is useful to the users of financial statements as it impacts on their ability to make informed decisions.

A prudent and conservative approach has been applied by using the lowest percentages on the ranges calculated to provide sufficient information to the users of financial statements that will enable them to make informed decisions.

Element	Total Assets
Baseline: 30 June 2019 figures	R68 824 010 000
Percentage (%)	0.25%
Materiality level (R)	R172 060 025

Overall materiality at a financial statement level is R172,060,025.

1.4 Employee Benefits Obligations

1.4.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as wages, salaries, social security contributions, paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.4.2 Defined contribution plans

The Municipality provides retirement benefits for its employees and councillors. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

The Natal Joint Provident Fund, Multi Linked and South African Local Authority are defined contribution funds.

The Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Accounting Policies

1.4 Employee Benefits Obligations (continued)

1.4.3 Pension obligations

The Municipality and its employees contribute to 8 different Pension Funds, of which 2 (Durban Pension Fund and the KZN Pension Fund) cater for more than 86% of staff.

The Municipality has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The following are defined benefit funds:

Durban Pension Fund

Government Employee's Pension Fund

Natal Joint Municipal Pension Fund - Superannuation

Natal Joint Municipal Pension Fund - Retirement Durban Pension Fund

The following are defined contribution funds:

KZN Pension Fund

Multi Linked

SALA

The other fund is a Provident Fund administered by Natal Joint Municipal Pension Fund.

Actuarial valuations are conducted on an interim basis each year with a statutory valuation undertaken every three years. Consideration is given to any extent that could impact the Funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Actuarial gains and losses are recognised in the year that they arise, in the Statement of Financial Performance.

The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability/asset recognized in the Statement of Financial Position in respect of defined benefit pension plans is equal to the present value of the defined benefit obligation at the Statement of Financial Position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates, best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Any asset is limited to the net total of the present value of the defined benefit obligation at the reporting date minus the fair value at the reporting date of plan assets plus any liability that may arise as a result of a minimum funding requirement, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan

Accounting Policies

1.4 Employee Benefits Obligations (continued)

1.4.4 Other post-employment benefit obligations

Healthcare Post-retirement Plans

The Municipality provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to the statement of financial performance in the year that they arise.

Multi-Employer Retirement Benefit Plans

The Municipality contributes to Government Employees Pension Fund, Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds. The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of Annual Financial Statements are compiled for each fund not per employer. Further details of this plan are included in note 21.

1.4.5 Other Long-Term Employee Benefits

Other long-term employee benefits are in respect of long service awards. The amount recognised as a liability for long service awards is the present value of the defined benefit obligation at the reporting date using the Projected Unit Credit Method. There are no plan assets to settle the defined benefit obligation for long service awards.

The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows after taking into account rates of employee turnover, discounting rate, and future salary and benefit levels.

The liability recognized in the statement of financial position in respect of defined long service benefits is equal to the defined benefit obligation at the balance sheet date after taking into account adjustments for unrecognized actuarial gains or losses and past service costs.

Past-service costs are recognised immediately in the statement of financial performance.

Actuarial gains and losses are recognised in the year that they arise, in the Statement of Financial Performance.

1.5 Significant Judgements

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements.

Significant judgements include:

Accounting Policies

1.5 Significant Judgements (continued)

Post Retirement Benefits and Multi-Employer Retirement Benefit Plans and Other Long-Term Employee Benefits

The present value of the long service award defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions and factors such as the rates of employee turnover, discounts rates, and future salary and benefit levels, which take into account market conditions.

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The Municipality determines the appropriate discount rate at the end of each year using the actuarial valuation. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Municipality considers the interest rates that are best approximated by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in notes. The Municipality contributes to Natal Joint Super Annuation and Retirement Funds which are Defined Benefit Funds . The Municipality's liability in these funds could not be determined owing to the fact that the assets are not being allocated to each employer and only one set of financial statements are compiled for each fund not per employer. Further details of this plan is included in the notes to the Annual Financial Statements.

Provision for impairment of trade receivables

The provision for impairment is measured as the difference between the asset's carrying amount and the recoverable amount. The recoverable amount is calculated based on the default history of debtors. Debtors are categorised per service type and a combination of the collection rate and age analysis per service type is used to calculate the recoverable amount. For property rates, past payment trends are used to calculate the recoverable amount since these debtors have a longer prescription period.

Accounting Policies

1.5 Significant Judgements (continued)

Non-cash generating and cash generating impairment testing

Management uses the higher of the fair value less cost to sell and value in use to determine the recoverable amount of assets with an indefinite useful life and identifying assets that may have been impaired. Where there is no active market to calculate the fair value less cost to sell, the recoverable amount is based on the value in use.

The assets of the Municipality are linked to functional departments that provide the following core services of the Municipality: electricity, water, sanitation, solid waste, gas to electricity, rates and general, joint ventures and municipal entities.

The assets linked to the provision of water, sanitation, solid waste and gas to electricity services are held to provide basic service delivery in line with section 24 and 27 of the South African Constitution stating that people have a right to an environment that is not harmful to their health or well-being, to have the environment protected for the present and future generations and a right of access to water. As a result, these assets are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on these assets.

The assets linked to the provision of electricity are held to provide service delivery. Even though the Constitution does not deal with energy explicitly, electricity reticulation is identified as a municipal function and the Municipality regards the provision of electricity as part of its basic services since it is a necessity and improves the quality of life. Furthermore, these assets do not generate a commercial return since the tariffs charged by the electricity department are below market rates, being the rates charged by Eskom and other metropolitan municipalities. As a result, these assets are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on these assets.

The assets linked to the provision of rates and general services (i.e. parks, recreation and culture, human settlements etc.) are held to provide service delivery. There is no/nominal tariff charged for these services and the cost of providing these services is recovered through the rates imposed on the residents in the city. As a result, these assets are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on these assets.

Municipal entities consist of Durban ICC SOC and Durban Marine Theme Park SOC. The intention behind holding these investments is to boost the economic activity within the eThekweni region since these entities are centred as tourist attractions. Any returns realised are considered to be incidental. The Municipality provides certain grants to these entities to fund their operations and also provides a surety for the cash flow shortfalls. The investments in these entities are designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment. To the extent that the underlying assets of the municipal entities generate commercial returns, these assets are designated as cash generating assets on the consolidated financial statements, whereas in all other cases they are designated as non-cash generating assets.

The Municipality has two joint ventures, Effingham Development Joint Venture and Durban Point Development Company. The intention of holding these investments is to develop and market the serviced sites in an attempt to boost economic activity within the eThekweni region. Any returns realised are considered to be incidental. The investments in these joint ventures are therefore designated as non-cash generating assets, with GRAP 21 applied to measure the extent of any impairment on the assets. To the extent that the underlying assets of the joint ventures generate commercial returns, these assets are designated as cash generating assets on the consolidated financial statements, whereas in all other cases they are designated as non-cash generating assets. All assets owned/recognised by the Municipality are held for the provision of basic services and are considered to be non-cash generating assets.

Accounting Policies

1.5 Significant Judgements (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

Provisions are measured at the Head of Department's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

A provision is recognised when:

- the Municipality has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Fine revenue

Fine revenue is recognised after taking into account the probability of future withdrawals and reductions. The probability of withdrawals and reductions is based on a 5 year past trend of gross charges issued which are likely to be disputed. The success rate of the disputed fines is taken into account in calculating the probability of withdrawals and reductions.

Assessing control over land

Control over land is determined by whether the municipality has legal ownership, or the right to direct access to land, and to restrict or deny the access of others to the land. In assessing whether the municipality has the right to direct access to the land, and to restrict or deny the access of others to the land, it considers whether it can:

- direct the use of the land's future economic benefits or service potential to provide services to beneficiaries; or
- exchange, dispose of, or transfer the land; and/or
- use the land in any other way to generate future economic benefits or service potential.

When control is obtained other than through legal ownership, the asset acquired is initially measured using the accounting policy for revenue from non-exchange transactions.

Accounting Policies

1.6 Investment property

Initial Recognition

Investment property includes property (land or a building, or part of a building) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. The cost of an item of investment property is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property.

However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent Measurement

Investment property is measured using the cost model. Under the cost model, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from investment properties are made when the particular asset no longer meets the definition of investment properties.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. All assets are considered to have a nil residual value. The lives of the assets are revised using the indicator based approach. Any changes in the depreciation method and useful lives are recognized as a change in accounting estimate in the Statement of Financial Performance. This change in estimate is applied prospectively. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Items	Useful life
Property – land	indefinite
Property – buildings	10 - 80years

Derecognition and Impairment

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the Statement of Financial Performance in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in the Statement of Financial Performance when the compensation becomes receivable.

The Municipality tests for impairment where there is an indication that a property may be impaired. An assessment of whether there is an indication of possible impairment is done during each reporting period. Where the carrying amount of an item of an investment property is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.7 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, to meet service delivery objectives, for rental to others, or for administrative purposes; and are expected to be used during more than one reporting period.

Initial Recognition

Property, plant and equipment are stated at cost. The cost of an item of property, plant and equipment is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent Measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life. Transfers from property, plant and equipment are made when the particular asset no longer meets the definition of property, plant and equipment.

Depreciation and Impairment

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Depreciation is calculated as soon as the asset becomes available for its intended use. All assets are considered to have a nil residual value. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The estimated useful lives of the assets are revised using the indicator based approach. Any changes in the depreciation method and useful lives are recognised as a change in accounting estimate on the Statement of Financial Performance. This change in estimate is applied prospectively.

However, if the asset has already reached the end of its estimated useful life, the change in useful life must be accounted for retrospectively as a correction of a prior period error in determination of the new useful life. This change would have an impact on accumulated surplus and the Statement of Financial Position.

The annual depreciation rates are based on the following estimated asset lives:

Details	Years
Infrastructure	
• Engineering infrastructure - Rivers and Coastal Engineering	20 - 80 years
• Roads and Motorways	20 - 80 years
• Economic Development	20 years
• Traffic Equipment	10 - 80 years
• Stormwater Drainage	20 - 80 years
• Airport Infrastructure	15 - 80 years
• Solid Waste	3 - 30 years
• Water and Sanitation	20 - 80 years
• Major Substations: Buildings	30 - 50 years
• Transformers and Related Equipment	30 - 45 years
• Mains	30 - 55 years
• Street Lighting	20 - 30 years
• Conventional and Prepaid Metering	15 - 25 years
Community	
• Buildings	20 - 80 years
• Recreational Facilities	10 - 80 years
Other property, plant and equipment	
• Buildings	3 - 80 years
• Markets and Informal Markets	15 - 30 years
• Fire Engines	20 years
• Landfill Sites	3 - 80 years
• Car Parks	15 years
• Fencing	20 years

Accounting Policies

1.7 Property, plant and equipment (continued)

• Lifts	20 years
• Building Improvements	10 years
• Heavy and Mobile Plant	7 - 10 years
• Furniture and fitting	2 - 20 years
• Vehicles	3 - 15 years
• Bins and containers	5 years
• Plant and Machinery – General	3 - 20 years
• Security Systems	5 - 15 years
• Office equipment	3 - 7 years
• Air conditioning	5 - 15 years
• Public Address Systems	15 years
• Turnstiles	15 years
• Electrical	20 years
• Mechanical	20 years
• Hostels	20 - 80 years
• Library Books	5 - 10 years
• Non-biological assets (non-breeding)	3 - 5 years
• Other items of Plant and Equipment	2 - 5 years

The estimated useful lives of the assets are revised using the indicator based approach, compared to the annual assessment in the prior years. This is due to the GRAP amendments effective in the current financial year. Any changes in the depreciation method and useful lives are recognised as a change in accounting estimate in the Statement of Financial Performance. The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting period.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

All assets are considered to have a nil residual value.

Derecognition:

Items of property, plant and equipment are derecognised when the asset is disposed of or when there is no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the Municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions – see Accounting Policy 1.23 on Provisions.

Service concession assets:

The municipality has made service concession arrangements with various operators in terms of carrying out certain mandated bus service functions. The municipality retains full control over the nature, timing and extent of the services that the bus operators must perform and the fees for the services rendered are determined as per the operator's specific schedules and annexes that form part of the signed agreements.

The municipality controls through ownership, beneficial entitlement or otherwise any significant residual interest in the asset at the end of the term of engagement.

Income generated by the municipality in terms of the right of use of these municipal assets is recognised in line with the accounting policy on revenue from exchange transactions.

Accounting Policies

1.8 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Initial Recognition

Intangible assets are initially measured at cost and comprise of software and servitudes. The cost of an item of intangible assets is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- The Municipality intends to complete the intangible asset for use or sale.
- It is technically feasible to complete the intangible asset.
- The Municipality has the resources to complete the project.
- It is probable that the Municipality will receive future economic benefits or service potential.
- The Municipality is able to use or sell the intangible asset.
- The Municipality is able to measure reliably the expenditure attributable to the intangible asset during its development.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Servitudes are classified as intangible assets. Servitudes are rights that are not amortised as they have an indefinite useful life.

Subsequent Measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. Expenditure on an intangible asset is recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. Residual value of intangible assets is estimated to be nil. Transfers from intangible assets are made when the particular asset no longer meets the definition of an intangible asset.

Amortisation and Impairment

Intangible assets are amortised on a straight line method over their estimated useful lives, as follows:

Details	Years
Computer Software	2 - 20 years
Servitudes	indefinite

The estimated useful lives of the assets are revised using the indicator based approach. Any changes in the amortisation method and useful lives are recognized as a change in accounting estimate in the Statement of Financial Performance. This change in estimate is applied prospectively. The Municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition:

Intangible assets are derecognized when the asset is disposed of or when there is no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Accounting Policies

1.9 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Initial Recognition

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. The cost of an item of heritage assets is recognised as an asset only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- (b) the cost or fair value of the item can be measured reliably.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition. If at initial recognition, the Municipality cannot reliably measure its cost, the relevant and useful information about the heritage asset is disclosed in the notes to the financial statements.

Subsequent Measurement

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses i.e. cost model. Transfers from heritage assets are made when the particular asset no longer meets the definition of a heritage asset.

Depreciation and Impairment

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired. Where the carrying amount of an item of heritage assets is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Heritage assets are derecognised when the asset is disposed of or when there is no further economic benefit or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

1.10 Investments in Municipal Entities

Investments in municipal entities are initially recognised at cost.

Subsequently they are accounted for at cost less any accumulated impairment.

The Municipality assesses at each reporting date whether there is any indication that an investment in municipal entities may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the investment in municipal entities. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

A reversal of an impairment loss of investments in municipal entities carried at cost is recognised immediately in the Statement of Financial Performance.

Accounting Policies

1.11 Interest in Joint Ventures

An investment in a joint venture is initially recognised at cost.

Subsequently the investment is carried at cost less any accumulated impairment taking into account the Municipality's share of profits or losses, resulting from operations of the joint venture, on the accrual basis. The share of losses are limited to the carrying amount of the joint venture and as a result if the interest in the joint venture is considered to be fully impaired or if the accumulated losses are equal to the cost of the interest in the joint venture, there will be no further losses recognised from the joint venture.

The Municipality assesses at each reporting date whether there is any indication that an investment in a joint venture may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the investment in a joint venture. The impairment loss is measured as the difference between the investment's carrying amount and the estimated recoverable amount.

The recoverable amount of an investment in a joint venture is the higher of its fair value less costs to sell and its value in use.

A reversal of an impairment loss of investments in a joint venture carried at cost is recognised immediately in the Statement of Financial Performance.

1.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Initial recognition

Financial instruments are initially recognised at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial instruments are categorised according to their nature as either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Accounting Policies

1.12 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

Loans to Municipal Entities

Loans to municipal entities are initially recognised at fair value plus any transaction costs. Subsequently the loans are measured at cost.

An impairment loss is recognised in the Statement of Financial Performance when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Receivables

Debtors are initially recognised at fair value plus any transaction costs.

Debtors are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

An allowance for impairment of debtors is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the debtors.

The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable amount based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end. Impairment losses are recognised in the Statement of Financial Performance.

Bad debts are written off during the year in which they are identified against the provision for impairment on the Statement of Financial Position. If no such provision for impairment was raised the bad debts are written off on the Statement of Financial Performance.

Payables

Trade payables are initially measured at fair value plus any transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

These are initially and subsequently recorded at fair value.

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Borrowings and other financial liabilities

Borrowings are recognised initially at fair value plus any transaction costs. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long term borrowings are utilised solely for funding capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are initially recognised at fair value plus any transaction costs. Subsequently they are measured at amortised cost.

Accounting Policies

1.12 Financial instruments (continued)

Loans and receivables

Loans and receivables are initially measured at fair value plus any transaction costs.

Subsequently they are measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms. The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

Fixed and Negotiable Deposits

Fixed and negotiable deposits are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Municipality will hold to maturity.

Fixed and negotiable deposits are initially measured at fair value plus any transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The provision for impairment is measured as the difference between the asset's carrying amount and the estimated recoverable future cash flow based on past recovery trends. Impairment losses are recognised in the Statement of Financial Performance.

1.13 Taxation

The Municipality is exempted from income tax in terms of section 10(1)(a) of the Income Tax Act.

1.14 Leases

Operating leases - The Municipality as lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the Statement of Financial Position.

They are depreciated over their expected useful lives (land is not depreciated) on a basis consistent with similar owned investment properties and property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised over the lease term.

Operating leases - The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

1.15 Inventories

Initial Recognition

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes (other than those subsequently recovered from the taxing authorities), transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Subsequent Measurement

Accounting Policies

1.15 Inventories (continued)

Inventories are subsequently measured at the lower of cost and net realisable value using the weighted average method as the basis to determine cost. Net realisable value is the estimated selling price in the ordinary course of operations. When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Consumable stores, maintenance materials and water stock are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average method. Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

1.16 Impairment of cash-generating assets

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The Municipality assesses these assets for impairment at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. When such an indication exists, the Municipality determines the recoverable amount of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. A cash generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return.

An impairment loss of a cash-generating unit is allocated to decrease the carrying amount of the assets of the unit on a pro-rata basis, based on the carrying amount of each asset in the unit. After allocating the impairment loss, the carrying amount should be the highest of, its fair value less cost to sell; or value in use; or zero.

A reversal of an impairment loss for a group of assets / cash-generating unit should be allocated to the cash-generating assets of the unit, pro-rata with the carrying amount of those assets.

If the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

1.17 Impairment of non-cash-generating assets

Non-cash-generating assets are those assets held by the Municipality without an intention of generating a commercial return and held primarily for service delivery purposes. The Municipality classifies all assets held with the primary objective of generating a commercial return as cash generating assets. The Municipality will apply its judgement and disclose the criteria used in making such judgement in cases where it's not clear whether the primary objective is to generate a commercial return or not.

The Municipality assesses at each reporting date, or more frequently where events or changes in circumstances indicate that an asset may be impaired. If any such indication exists, the Municipality determines the recoverable service amount of the asset. The recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired and is recognised immediately in the Statement of Financial Performance.

An impairment loss is when the asset's carrying amount exceeds its recoverable service amount and is recognised in the Statement of Financial Performance.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The increase in the carrying amount of an asset due to the reversal of an impairment loss should not exceed what the carrying amount would have been if no impairment loss had been recognised.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment annually, irrespective of whether any indication of impairment exists.

Accounting Policies

1.18 Grants, Transfers and Donations

Income received from conditional grants, donations and subsidies is recognised to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds are invested until utilised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.19 Budget Information

The budget has been included in the Annual Financial Statements in accordance with GRAP 24. An approved budget is the anticipated revenue and expenditure expected to apply in the annual or multi-year period based on current plans and approved by the Municipal Council. Final budget is the approved budget adjusted for transfers, allocations, supplemental appropriations and other changes applicable to the budget period. The budget has been included in the Annual Financial Statements in accordance with the disclosure recommendations determined by National Treasury.

Comparative information is not required.

1.20 Related Parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the Municipality, or vice versa, or an entity that is subject to common control, or joint control.

1.21 Commitments

A capital commitment is a binding agreement to undertake capital expenditure at some set time in the future which has not yet become an actual liability.

An operating commitment is a binding agreement to undertake operating expenditure at some set time in the future which has not yet become an actual liability.

1.22 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Amounts recognised in the annual financial statements will be adjusted to reflect adjusting events after the reporting date once the event occurred. The nature of the event will be disclosed as well as an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the annual financial statements.

1.23 Provisions and contingencies

Provisions are recognised when:

- the Municipality has a present or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Accounting Policies

1.23 Provisions and contingencies (continued)

Where the effect is material, non-current provisions are discounted to their present value using a prevailing prime rate at year end which reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability, if any (for example in the case of obligations for the rehabilitation of land). The Municipality uses the prevailing prime rate at year end.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

1.24 Revenue

Revenue comprises of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminating revenue within departments of the Municipality.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised as follows:

1.24.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Bulk electricity meters are read monthly.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which the meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property based on the category of property and the property value.

Service charges from sewerage and sanitation are based on water consumption and are levied monthly.

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

All other revenue is recognised as it accrues.

Accounting Policies

1.24 Revenue (continued)

1.24.2 Revenue from non-exchange transactions

This refers to transactions where revenue is received from another entity without giving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount and the effective interest rate applicable.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised based on management's best estimate of the probable inflows.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the fair value of the consideration received or receivable.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met.

Where public contributions have been received but the condition has not been met, a liability is recognised.

The municipality recognises services in-kind that are significant to its delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the municipality's service delivery objectives and/or do not satisfy the criteria for recognition, the nature and type of services in-kind received during the reporting period is disclosed. When the criteria for recognition are satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition.

All other revenue is recognised as it accrues.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

Accounting Policies

Revenue from non-exchange transactions (continued)

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.25 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, regardless of how the borrowing costs are applied.

1.26 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

1.27 Comparatives information

1.27.1 Current year comparatives

Budgeted amounts have been included in the Appropriation Statement for the current financial year only.

1.27.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.28 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. Where unauthorised expenditure is not approved, upon the finalisation of an investigation, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. If the expenditure is not condoned by the relevant authority, upon the finalisation of an investigation, it is accounted for as a current asset in the Statement of Financial Position until such time as the expenditure is recovered from the responsible person or written off as irrecoverable in the Statement of Financial Performance.

1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority, upon the finalisation of an investigation, it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

Accounting Policies

1.31 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.32 National Housing programmes

The municipality has a level two accreditation in terms of its participation on the National Housing Programme. It is a project developer in terms of the arrangement to construct and transfer houses to the beneficiaries of the Programme.

Grants received to implement the National Housing Programme are recognised as contract revenue.

Contract revenue comprises:

- (a) the initial amount of revenue agreed in the contract; and
- (b) variations in contract work, claims and incentive payments to the extent that:
 - (i) it is probable that they will result in revenue; and
 - (ii) they are capable of being reliably measured.

Contract revenue is measured at the fair value of the consideration received or receivable.

When the outcome of a construction contract can be estimated reliably, contract revenue is recognised as revenue by reference to the stage of completion of the contract activity at the reporting date. The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- (a) total contract revenue, if any, can be measured reliably;
- (b) it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
- (c) both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and
- (d) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Costs incurred to implement the National Housing Programme are expensed as contract costs.

Contract cost comprise:

- (a) costs that relate directly to the specific contract;
- (b) costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- (c) such other costs as are specifically chargeable to the customer under the terms of the contract.

Contract costs include the costs attributable to a contract for the period from the date of securing the contract to the final completion of the contract. Costs that cannot be attributed to contract activity or cannot be allocated to a contract are excluded from the costs of a construction contract. Such costs include:

- (a) general administration costs for which reimbursement is not specified in the contract;
- (b) selling costs;

Accounting Policies

1.32 National Housing programmes (continued)

- (c) research and development costs for which reimbursement is not specified in the contract; and
- (d) depreciation of idle plant and equipment that is not used on a particular contract.

As with contract revenue, contract costs are recognised as expenses when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity at the reporting date.

1.33 Principal- agent arrangements

Management assesses whether the Municipality is party to any principal-agent arrangements. Should the Municipality be party to such an arrangement, management will assess whether it is a principal or an agent in the arrangement. The Municipality is an agent if the following criterion are met:

- (a) It does not have the power to determine the significant terms and conditions of the transaction;
- (b) It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit;
- (c) It is not exposed to variability in the results of the transaction.

If this criteria is not met, then the Municipality is considered to be a principal in the arrangement.

A principal recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement using management's best estimates.

An agent recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal.

An entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of other Standards of GRAP.

Changes in the liability are added to, or deducted from, the cost of the related asset in the current financial year. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit and if the adjustment results in an addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
2. Inventories		
Consumable stores	662,470	579,885
Water for distribution	24,018	19,809
	686,488	599,694

The cost of inventories recognised as an expense during the period in respect of water sales was R3 332million (2019: R2 597million).

3. Receivables from exchange transactions

Prepayments	54,326	45,494
Other debtors (mainly in respect of sundry services and interest on outstanding debt)	2,265,491	2,226,523
Provision for bad debts - other (mainly in respect of sundry services and interest on outstanding debt)	(1,856,382)	(1,454,489)
Debtor - DOHS	4,155,594	4,056,073
Provision for bad debts - DOHS	(2,498,532)	(2,454,425)
Accruals	118,741	263,046
	2,239,238	2,682,222

4. Receivables from non-exchange transactions

Fines	278,197	258,476
Provision for bad debts - traffic fines	(227,582)	(201,368)
	50,615	57,108

Reconciliation of traffic fine debtors:

Reconciliation of traffic fine debtors: 2020	Opening balance	Write-off	Restated opening balance	Net increase / (decrease)	Change in estimate	Closing balance
Fines	258,476	(109,359)	149,117	157,238	(28,158)	278,197
Provision for bad debts	(201,368)	109,359	(92,009)	(128,630)	(6,943)	(227,582)
	57,108	-	57,108	28,608	(35,101)	50,615

Reconciliation of traffic fine debtors: 2019	Opening balance	Write-off	Restated opening balance	Net increase / (decrease)	Change in estimate	Closing balance
Fines	665,569	(378,677)	286,892	128,321	(156,737)	258,476
Provision for bad debts	(583,724)	378,677	(205,047)	(99,970)	103,649	(201,368)
	81,845	-	81,845	28,351	(53,088)	57,108

The movement disclosed on fines in the reconciliation above is the net revenue after taking into account payments received, as detailed below:

Net increase / (decrease) in outstanding fine revenue

Fine revenue accrued for the year	169,565	148,595
Fine revenue received for the year	(12,327)	(20,274)
	157,238	128,321

The following assumptions were used to calculate the outstanding fine debtors:

- (1) Average % of fines disputed: 64.69% (June 2019: 65.71%);
- (2) Average success rate of disputed fines: 96.92% (June 2019: 95.38%);
- (3) Average collection rate: 18.19% (June 2019: 22.09%).

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
4. Receivables from non-exchange transactions (continued)		
The assumptions are based on a 5 year trend analysis. The change in estimate on fine debtors is mainly attributable to an increase in the withdrawal and reduction rate (success rate) of the disputed fines following the directive issued by the National Prosecuting Authority to write off traffic fines in respect of summons not served within eighteen months from the date of the offence and withdrawal of warrants not executed within two years from date of issue. The collection rate has deteriorated from the previous year mainly due to the tough economic conditions coupled with the National Lockdown which has resulted in job losses and salary cuts, hence the default on payments from offenders.		
5. VAT		
VAT receivable from SARS	83,712	209,472
VAT on invoices raised but not yet paid	112,231	114,538
	195,943	324,010
VAT is claimed on the payment basis. Only once an invoice is paid is VAT claimed and receivable from SARS.		
The value disclosed is the net VAT on payables & receivables.		
6. Consumer debtors		
Gross balances		
Rates	4,165,957	3,789,162
Electricity	3,042,650	2,419,213
Water	4,092,720	3,928,921
Refuse	386,113	293,878
Housing rental	97,283	112,764
Waste water	673,176	609,095
	12,457,899	11,153,033
Less: Allowance for impairment		
Rates	(1,282,775)	(900,645)
Electricity	(969,551)	(719,453)
Water	(3,040,193)	(3,053,466)
Refuse	(280,036)	(197,725)
Housing rental	(90,162)	(103,816)
Waste water	(433,676)	(436,677)
	(6,096,393)	(5,411,782)
Net balance		
Rates	2,883,182	2,888,517
Electricity	2,073,099	1,699,760
Water	1,052,527	875,455
Refuse	106,077	96,153
Housing rental	7,121	8,948
Waste water	239,500	172,418
	6,361,506	5,741,251
Included in above is receivables from exchange transactions		
Electricity	2,073,099	1,699,760
Water	1,052,527	875,455
Waste water	239,500	172,418
Refuse	106,077	96,153
Housing rental	7,121	8,948
	3,478,324	2,852,734

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
6. Consumer debtors (continued)		
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	2,883,182	2,888,517
Net balance	6,361,506	5,741,251
Rates		
Current (0 -30 days)	707,943	944,881
31 - 60 days	234,360	161,281
61 - 90 days	138,021	93,955
91 - 120 days	109,427	84,020
121 - 365 days	2,955,787	2,485,146
> 365 days	20,419	19,879
	4,165,957	3,789,162
Electricity, Water, Refuse and Waste Water		
Current (0 -30 days)	2,600,659	2,270,141
31 - 60 days	429,368	322,109
61 - 90 days	344,188	200,971
91 - 120 days	275,030	210,260
121 - 365 days	4,301,572	4,010,100
> 365 days	243,842	237,526
	8,194,659	7,251,107
Housing rental		
Current (0 -30 days)	4,935	5,041
31 - 60 days	2,186	3,907
61 - 90 days	2,448	2,576
91 - 120 days	2,367	2,533
121 - 365 days	84,013	92,380
> 365 days	1,334	6,327
	97,283	112,764
Reconciliation of allowance for impairment		
Balance at beginning of the year	5,411,782	4,657,024
Contributions to allowance	2,059,038	1,026,935
Debt impairment written off against allowance	(1,374,427)	(272,177)
	6,096,393	5,411,782
7. Long-term receivables		
Loan: Durban Point Development Company Proprietary Limited	107,494	99,800
Housing selling scheme loans	139,110	139,963
First Metro housing loans	14,405	13,044
Study assistance schemes	21,989	18,248
Debt impairment: Durban Point Development Company Proprietary Limited	(107,494)	(99,800)
Debt impairment: Housing selling scheme loans	(49,569)	(37,529)
Debt impairment: First Metro housing loans	(711)	(276)
	125,224	133,450

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
7. Long-term receivables (continued)		
Less: Current portion transferred to current receivables		
Housing selling scheme loans	51,340	46,116
First Metro housing loans	7,179	4,647
Study assistance schemes	1,774	876
Debt impairment: First Metro housing loans	(711)	(276)
	59,582	51,363
Non-current portion	65,642	82,087
Current portion	59,582	51,363

Study assistance schemes

These relate to students who are studying full-time at universities in the engineering disciplines. The cost covers tuition fees, books and subsistence. On successful completion of the course the students are, in terms of contractual obligations, employed by the Municipality. A pro-rata share of these costs are then written back as operating costs in annual instalments equal to the number of years studied. These schemes are interest free.

Durban Point Development Company Proprietary Limited

The rates receivable arose in terms of a rates deferral arrangement, as provided for in clause ten of Durban Point Development Company Proprietary Limited's Shareholders Agreement. The current rates deferral as approved by Council is effective from 1 July 2019 to 30 June 2024 and is on conditions that when transfer of any land parcel takes place to any other party, rates will become payable by the new owner and the deferred portion on the respective property will become due and payable immediately.

Housing selling scheme loans

Housing loans are granted to qualifying individuals in terms of the provincial administration housing programme. These loans attract interest in terms of the State Directives and Guidelines and are repayable over 20 years.

First Metro housing loans

These loans attract interest at a fixed rate of 10% and are repayable over 20 years.

8. Call investment deposits

30 Day deposits	530,000	465,000
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9. Cash and bank balances

Cash and cash equivalents consist of:

Cash on hand	14,357	35,454
Bank balances	718,928	506,228
Bank overdraft	(521,847)	(300,434)
	211,438	241,248
Call investment deposits	530,000	465,000
Investments	3,750,000	5,950,000
Cash and cash equivalents	4,491,438	6,656,248

Investments are non-derivative financial assets and are subsequently measured at amortised cost and are held to maturity. The Municipality does not hold its investments for trading purpose. Management determines the classification of its investments at the time of acquisition and re-evaluates such declaration on an annual basis. Investments held for less than twelve months are classified as current assets. Investments with maturities greater than twelve months are classified as non-current assets.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

10. Investment property

	2020			2019		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Revenue generating	70,448	(37,297)	33,151	70,448	(36,506)	33,942
Non-revenue generating	183,285	(8,748)	174,537	183,285	(8,163)	175,122
Total	253,733	(46,045)	207,688	253,733	(44,669)	209,064

Reconciliation of investment property - 2020

	Opening balance	Impairments	Depreciation	Closing balance
Revenue generating	33,942	-	(791)	33,151
Non-revenue generating	175,122	(585)	-	174,537
	209,064	(585)	(791)	207,688

Reconciliation of investment property - 2019

	Opening balance	Impairments	Depreciation	Closing balance
Revenue generating	31,532	3,192	(782)	33,942
Non-revenue generating	177,113	(1,991)	-	175,122
	208,645	1,201	(782)	209,064

The Municipality lets properties under operating leases. Property rental income earned during the year was R97.81million (2019: R81.96million) - (refer note 27). The operating costs related to the rental of these properties amounted to R11.62million (2019: R11.09million). There is no item of investment property with restrictions on title or held as security for liabilities.

The impairment losses are attributable to changes in the market values of investment properties. The recoverable amount used in the impairment calculation approximates that of fair value less costs to sell.

The repairs and maintenance cost for investment properties (all revenue generating) was R0.226million (2019: R0.151million) in the current financial year. This cost consists of only payments made to contractors for repairing and maintaining assets. No staff member is engaged in any labour towards the repair and maintenance of investment property as contractors are outsourced.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

11. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land and buildings	4,689,785	(1,363,981)	3,325,804	4,403,208	(1,231,741)	3,171,467
Plant and machinery	2,138,747	(1,617,106)	521,641	2,053,630	(1,465,228)	588,402
Furniture and fixtures	443,433	(311,025)	132,408	414,375	(276,924)	137,451
Motor vehicles	4,208,707	(2,999,194)	1,209,513	3,746,482	(2,778,812)	967,670
IT equipment	1,211,029	(945,589)	265,440	1,112,472	(871,547)	240,925
Infrastructure	53,450,844	(13,875,031)	39,575,813	50,635,203	(12,519,886)	38,115,317
Community	11,477,884	(3,604,004)	7,873,880	10,898,916	(3,187,930)	7,710,986
Non-biological assets	556	(556)	-	556	(556)	-
Housing Development Fund assets*	132,643	(67,924)	64,719	132,838	(66,887)	65,951
Total	77,753,628	(24,784,410)	52,969,218	73,397,680	(22,399,511)	50,998,169

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Closing balance
Land and buildings	3,171,467	208,704	(649)	5	80,834	(134,030)	(527)	3,325,804
Plant and machinery	588,402	87,406	(3)	(82)	(1,023)	(148,038)	(5,021)	521,641
Furniture and fixtures	137,451	32,220	(1,344)	179	87	(36,185)	-	132,408
Motor vehicles	967,670	485,086	(794)	-	-	(241,058)	(1,391)	1,209,513
IT equipment	240,925	99,366	(195)	766	4,723	(80,145)	-	265,440
Infrastructure	38,115,317	2,416,178	(31)	-	399,984	(1,346,751)	(8,884)	39,575,813
Community	7,710,986	420,122	-	(2)	158,860	(415,892)	(194)	7,873,880
Housing Development Fund assets*	65,951	157	(58)	12	-	(1,343)	-	64,719
	50,998,169	3,749,239	(3,074)	878	643,465	(2,403,442)	(16,017)	52,969,218

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Work-in-progress	Depreciation	Impairment loss	Closing balance
Land and buildings	3,982,193	349,882	-	(1,114,888)	66,230	(111,950)	-	3,171,467
Plant and machinery	604,019	164,977	(307)	(1,003)	(29,814)	(149,470)	-	588,402
Furniture and fixtures	138,787	33,433	(176)	(37)	(815)	(33,577)	(164)	137,451
Motor vehicles	794,186	418,046	(293)	(2,162)	(15,779)	(223,644)	(2,684)	967,670
IT equipment	225,226	65,857	(262)	19,911	(3,630)	(66,177)	-	240,925
Infrastructure	36,257,225	3,708,555	(118)	872,088	(1,336,431)	(1,383,181)	(2,821)	38,115,317
Community	5,609,309	2,023,772	(2,961)	254,520	190,001	(351,630)	(12,025)	7,710,986
Non-biological assets	1	-	-	-	-	(1)	-	-
Housing Development Fund assets*	66,874	529	(131)	1	-	(1,322)	-	65,951
	47,677,820	6,765,051	(4,248)	28,430	(1,130,238)	(2,320,952)	(17,694)	50,998,169

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

11. Property, plant and equipment (continued)

The impairment loss is mainly attributable to assets not operating as intended, damaged, not in a good condition and those obsolete due to technological advancements. Included in the impairment loss is an amount of R5.17million relating to damaged Outdoor Gym Equipment and an amount of R8.42million for transformers damaged and obsolete. The recoverable service amount of these assets was determined using the value in use. The value in use was calculated internally by technical experts using the depreciated replacement cost and the expected service potential in relation to the assets with impairment indicators. There is no active market for these assets, hence why the fair value less cost to sell could not be determined.

The repairs and maintenance cost for property, plant and equipment was R2.46billion (2019: R2.02billion) in the current financial year. This cost consists of payments made to contractors and excludes material issues and consumables for repairing and maintaining assets internally since these items are expensed based on their nature. Internal labour costs are also excluded due to these costs eliminated on consolidation.

The Housing Development Fund assets include office buildings, computers and office furniture and equipment utilised by the Housing department.

There is no item of property, plant and equipment with restrictions on title or held as security for liabilities.

Included in the additions for the year is an amount of R812.90million relating to the capitalisation of the Durban ICC property leased to Durban ICC Pty(Ltd). The property was initially derecognised when leased to the entity. However, after consultation with various stakeholders, the correct accounting treatment is to account for the lease as an operating lease, with the building recognised on the municipality's asset register. Included in additions is also an amount of R279thousand relating to donated assets.

Proceeds from the disposal of assets amounted to R9.307million, being the carrying value of the disposed assets of R3.074million and the gain on the disposals of assets amounting to R6.233million.

Included in the carrying value of motor vehicles are buses leased to the bus operator on a month to month basis. The buses have not been reclassified as service concession assets since the parties have not concluded new agreements that will establish the terms of reference with regards to the leased buses and their expected use. The terms of reference will indicate whether the requirements of service concessions assets are met or not.

Work-in-progress taking significantly longer to complete has been disclosed on Note 60.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

12. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation and impairment	Carrying value	Cost	Accumulated amortisation and impairment	Carrying value
Servitudes	59,716	-	59,716	60,074	-	60,074
Computer software	1,863,565	(1,329,522)	534,043	1,726,918	(1,093,497)	633,421
Total	1,923,281	(1,329,522)	593,759	1,786,992	(1,093,497)	693,495

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Transfers	Work-in-progress	Amortisation	Closing balance
Servitudes	60,074	-	-	(358)	-	59,716
Computer software	633,421	48,769	(877)	88,746	(236,016)	534,043
	693,495	48,769	(877)	88,388	(236,016)	593,759

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Transfers	Work-in-progress	Amortisation	Closing balance
Servitudes	59,423	651	-	-	-	60,074
Computer software	700,870	180,994	(28,431)	14,743	(234,755)	633,421
	760,293	181,645	(28,431)	14,743	(234,755)	693,495

Other information

There is no item of intangible assets with restrictions on title or held as security for liabilities.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

13. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art collections, antiques and exhibits	24,769	-	24,769	24,739	-	24,739

Reconciliation of heritage assets 2020

	Opening balance	Additions	Closing balance
Art collections, antiques and exhibits	24,739	30	24,769

Reconciliation of heritage assets 2019

	Opening balance	Additions	Closing balance
Art collections, antiques and exhibits	24,536	203	24,739

Heritage assets which fair values cannot be reliably measured

The following items of heritage assets cannot be reliably valued due to the nature of the items. These are categories of heritage assets which reflect the number of assets for each category:

Ornithology	38,600
Mammalogy	15,329
Entomology	141,788
Arachnology	619
Echinodermata	36
Palaeontology	33,303
Amphibians	1,193
Reptiles	1,572
Library collection	7,000
Conchology	5,126
Audio visual collection	3,668
Numismatic	6,633
Textile and costume	14,442
Glass and ceramics	3,634
Other historical	1,105
Don Africana books and periodicals	4,556
Exhibitions	2,175
Ichthyology	351
Artworks	4,183
Biographical	3,953
Toys	80,000
Philately	10,000
War memorials	113
Firearms	168
Paintings	7,365
Photographic	3,897,279
Furniture	1,500
Documents / cartoons / plans	633,597
Pinetown library collection	228

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

13. Heritage assets (continued)

The Municipality has undertaken valuations to determine fair values of its heritage assets. The Municipality did apply a valuation methodology and completed the exercise on certain classes of heritage assets after extensive research, reviewing benchmarks, both nationally and internationally, including consulting research papers that have been compiled on this subject matter. Where there is no active market for the items of heritage assets, the Municipality is currently testing various valuation methodologies in order to determine the fair value of these heritage assets. GRAP 103 does allow the entity to determine fair value by using a replacement cost approach in cases where there is no active market and the Municipality has followed this approach, where applicable. No heritage assets were pledged as security for liabilities during the financial year end.

14. Investments in Municipal Entities

Name of company	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
Durban Marine Theme Park (State Owned Company) Limited	100.00 %	100.00 %	962,996	962,996
ICC Durban (Proprietary) Limited	100.00 %	100.00 %	226,591	226,591
			1,189,587	1,189,587
Impairment of investment in municipal entities			(417,932)	(420,256)
			771,655	769,331

Impairment of Investments in Municipal Entities are reviewed and adjusted only on an annual basis. The balances above are reflective of estimations at 30 June 2020.

There was an impairment reversal in the current year of R2.32million (2019: impairment loss of R48.63million) relating to the investment in Durban Marine Theme Park. This is due to the increase in the current replacement cost of the entity's land and building compared to the previous financial year. The recoverable amount was calculated as the net asset value of the entity, adjusted for the valuation adjustments on property, plant and equipment and investment properties, which represents the fair value of the entity. Prior year figures were restated as a result of changes in the valuation of property, plant and equipment used to calculate the recoverable amount as disclosed on the note relating to prior year adjustments.

As at June 30, 2020

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (SOC)
Issued Share Capital (R'000)	226,591	10
Percentage owned by Council (%)	100	100
Electricity Income (R'000)	13,273	24,159
Water Income (R'000)	2,181	9,885
Rates Income (R'000)	3,964	3,480
Refuse Removal (R'000)	892	1,031
Insurance (R'000)	8	692

As at June 30, 2019

	ICC Durban (Proprietary) Limited	Durban Marine Theme Park (SOC)
Issued Share Capital (R'000)	226,591	10
Percentage owned by Council (%)	100	100
Electricity Income (R'000)	16,955	22,490
Water Income (R'000)	2,416	10,792
Rates Income (R'000)	9,720	3,857
Refuse Removal (R'000)	958	970
Insurance (R'000)	21	312

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

15. Interest in Joint Ventures

Name of company		Carrying amount 30 June 2020	Carrying amount 30 June 2019
Effingham Development	66.74%	39,923	44,085
Durban Point Development Company (Pty) Ltd	50.00%	56,570	61,886
		96,493	105,971

This represents a 66.74% investment in Effingham Development and a 50% investment in Durban Point Development Company (Joint Ventures). Although the profit sharing ratio is 66.74% in favour of the Municipality for Effingham Development, losses are shared equally in terms of the joint venture agreement.

The Effingham Development Joint Venture is a joint venture entered into with Moreland Developments (Pty) Ltd. The joint venture was formed with the objective of developing and marketing the serviced sites of the Effingham/Avoca (Riverhorse Valley Business Estate) land and Phoenix South (Bridge City) land.

Summary of the Municipality's interest in the Joint Venture - Effingham Development

Assets

Non-current assets - township property	68,609	66,735
Current assets - debtors	4,379	4,349
Current assets - bank balances and cash on hand	20,486	20,602

Total assets	93,474	91,686
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Equity and liabilities

Equity - members loan accounts	39,923	44,085
Current liabilities - creditors	53,551	47,601

Total equity and liabilities	93,474	91,686
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Reconciliation of investment in Joint Venture

Balance at beginning of the reporting period	44,085	51,248
Share of surplus / (loss)	(4,162)	2,837
Share of loan repayment	-	(10,000)
Balance at end of reporting period	39,923	44,085

Summary of the Municipality's interest in the Joint Venture - Durban Point Development Company

Assets

Non-current assets - property	3,378	3,378
Current assets - debtors	408	4,674
Current assets - inventory	93,397	93,382
Current assets - bank balances and cash on hand	5,309	1,056

Total assets	102,492	102,490
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Equity and liabilities

Equity - accumulated loss	(42,849)	(37,533)
Equity - loans from shareholders	78,466	78,466
Non-current liability - rates liability	53,747	49,900
Current liabilities - creditors	13,128	11,657

Total equity and liabilities	102,492	102,490
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Reconciliation of investment in Joint Venture

Balance at beginning of the reporting period	61,886	67,207
Share of loss	(5,316)	(5,321)

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
15. Interest in Joint Ventures (continued)		
Balance at end of reporting period	56,570	61,886
The cost of the investment in the Durban Point Development Company (DPDC) is R56.57million compared to the cost of R78.47million(2019) as reflected in the financial statements of DPDC. The difference is due to eThekweni Municipality having recognised the share of the losses of R5.32million (2019: R5.32million), resulting in cumulative losses recognised of R21.90million. The share of loss from joint ventures in the current financial year is R9.48million, of which R4.16million relates to Effingham and R5.32million to DPDC.		
16. External Borrowings		
At amortised cost		
Annuity loans	8,367,175	9,419,915
The fair value of all long term loans approximates their book values. Refer to Note 45 for more detail on long-term liabilities. DBSA Phase 5 loan of R300million is separately secured by a cession of an acceptable revenue stream of R15 million p.a. as security. A portion of the R814.6million balance outstanding from the RMB R1billion 20 year loan was ceded to Sanlam Life Insurance Limited for an amount of R672million in April 2019. All other loans are unsecured. The Municipality has budgeted to borrow R1.5billion in the next financial year (2020/21) and R1billion per annum for the next two financial years thereafter.		
Non-current liabilities		
At amortised cost	7,515,742	8,321,287
Current liabilities		
At amortised cost	851,433	1,098,628
17. Payables from exchange transactions		
Trade payables	1,011,358	1,222,831
Payments received in advance	44,564	41,082
Income received in advance - D.O.H.S	911,640	682,236
Accruals	3,333,951	2,720,543
Other payables	1,096,535	1,300,365
Retentions	541,085	419,293
Bank deposits not yet receipted	539,864	372,831
Deferred expenditure (straight-lining of leases)	24,152	23,935
	7,503,149	6,783,116
18. Transfers payable from non-exchange transactions		
Transfers payable - grants in aid	47,785	19,068
19. Consumer deposits		
Electricity and water	2,485,936	2,345,006
Other	3,340	3,721
	2,489,276	2,348,727

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

20. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Post-employment medical benefits	(3,805,019)	(3,955,760)
Post-employment pension benefits	10,363	1,196
	(3,794,656)	(3,954,564)
Non-current liabilities	(2,977,472)	(3,295,808)
Current liabilities	(817,184)	(658,756)
	(3,794,656)	(3,954,564)

Actuarial valuations:

The actuarial valuations were done as at 30 June 2020 by Independent Actuaries & Consultants (2019: ARCH Actuarial Consulting), an independent post retirement plan administrator and they determined that the retirement plan was in a sound financial position. .

Net Actuarial Gain / (Loss): Post-employment Medical Benefits

Changes to membership profile different to assumed	(39,234)	194,137
Change in health care cost inflation assumption	(39,061)	-
Change in maximum subsidy inflation	955	496,071
Increases in net discount rates	605,969	437,966
Application of post employment mortality improvement	-	(569,880)
Subsidy increases lower than assumed	-	31,462
Actual benefits paid versus expected benefits	(4,439)	1,589
	524,190	591,345

Net Actuarial Gain / (Loss): Post-employment Pension Benefits

Change in economic assumptions	288,261	(290,277)
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Statement of Financial Performance obligation for:

Contribution to Post-employment medical benefits	(150,741)	(168,138)
Pension Benefits: Contribution to Funds	(9,167)	(88,919)
Total, included in employee benefits expense	(159,908)	(257,057)

Post-Retirement Medical Aid Plan

The Municipality operates on 6 accredited medical aid schemes, namely Key Health, Hosmed, Bonitas, Samwumed, Discovery and LA Health. Pensioners continue on the option they belonged to on the day of their retirement.

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	3,955,760	4,123,898
Current service cost	162,896	152,788
Interest cost	371,912	421,470
Actuarial gains	(524,190)	(591,345)
Benefit payments	(161,359)	(151,051)
Balance at end of year	3,805,019	3,955,760

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
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20. Employee benefit obligations (continued)

Net expense recognised in the Statement of financial performance

Current service cost	162,896	152,788
Interest cost	371,912	421,470
Benefit payments	(161,359)	(151,051)
Total, included in employee benefits expense	373,449	423,207

Trend Information - Disclosure Requirement in terms of GRAP 25

	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Present Value of Obligations	(3,881,543)	(3,934,770)	(4,123,898)	(3,955,760)	(3,805,019)
Fair Value of Plan Assets	3,881,543	3,934,770	4,123,898	3,955,760	3,805,019
Experience Adjustments (Actuarial Gain/(Loss) before Changes in Assumptions)					
In respect of Present Value of Obligations	(21,796)	3,274	141,804	227,189	(81,779)

Disclosure Requirement in terms of GRAP 25

Sensitivity Results from Current Valuation	Health Care cost Inflation		
	Central Assumption 10.46%	-1%	+1%
Accrued Liability June 30, 2020	3,805,019	3,421,971	4,237,295
Service Cost + Interest Cost	696,844	613,381	792,081
Sensitivity Results from Previous Valuation	Central Assumption 8%	-1%	+1%
Accrued Liability June 30, 2019	3,955,760	3,557,382	4,267,739
Service Cost + Interest Cost	520,414	463,854	576,974

Disclosure Requirement in terms of GRAP 25:

The employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the end of reporting period, is R177.9million.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
20. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	14.21 %	9.40 %
General increases to medical aid contributions	10.46 %	6.86 %
Maximum subsidy increase rate	9.96 %	6.11 %
Expected retirement age	63	63
Proportion continuing membership at retirement	100.00 %	100.00 %
Proportion of retiring members who are married	80.00 %	80.00 %
Real rate (GAP)	3.40 %	2.38 %
General inflation	8.96 %	5.36 %
Other assumptions:		
Age of spouse - Husbands 3 years older than wives		
Mortality of in-service members - Mortality table based on SA85-90 light table		
Mortality of pensioners - based on the PA(90) mortality tables		
Percentage of in-service members withdrawing before retirement:		
Age 20	7.85 %	7.90 %
Age 25	5.67 %	5.70 %
Age 30	4.20 %	4.20 %
Age 35	3.31 %	3.30 %
Age 40	2.23 %	2.20 %
Age 45	1.21 %	1.20 %
Age 50	0.55 %	0.60 %
Pension benefits		
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	8,778,857	9,062,419
Fair value of plan assets	(9,829,659)	(10,686,376)
Unrecognised due to paragraph 68 limit	1,040,439	1,622,761
Liability (Surplus) in the Statement of Financial Position	(10,363)	(1,196)
Net expense recognised in the Statement of Financial Performance		
Service cost	(94,317)	(88,646)
Interest cost	(829,855)	(1,162,340)
Expected return on assets	988,330	1,152,080
Net actuarial gains / (losses) recognised in the year	(695,738)	1,746,447
	(631,580)	1,647,541
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	(9,062,419)	(11,584,632)
Current service cost	(94,317)	(88,646)
Actuarial gains	370,411	2,950,961
Interest cost	(829,855)	(1,162,340)
Benefit payments	837,323	822,238
Balance at end of year	(8,778,857)	(9,062,419)

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
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20. Employee benefit obligations (continued)

Movement in the fair value of plan assets is as follows:

Balance at beginning of the year	10,686,376	11,496,909
Actuarial losses	(1,066,149)	(1,204,514)
Contributions received	58,425	64,139
Benefit payments	(837,323)	(822,238)
Expected return on assets	988,330	1,152,080
Balance at end of year	9,829,659	10,686,376

Disclosure in terms GRAP 25

Defined benefit obligation	(8,778,857)	(9,062,419)
Plan assets	9,829,659	10,686,376
Funded status (before applying the net asset limit)	1,050,802	1,623,957
Experience adjustments on plan liabilities	(81,760)	(1,026,315)
Experience adjustments on plan assets	1,066,149	1,204,514

The expected return on plan assets was determined with reference to the average nominal yield for government bonds with duration of between 15 and 20 years as at 30 June 2020. The resulting expected return on plan assets was 14.21%p.a. (2019: 9.59%p.a.)

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rate	14.21 %	9.59 %
Expected return on plan assets	14.21 %	9.59 %
General inflation	8.96 %	5.50 %
Salary inflation	9.96 %	6.50 %
Pension increase provision	8.96 %	5.50 %
Post retirement interest rate	4.82 %	3.88 %

Examples of mortality rates used were as follows: Active members (All):

Age 20	0.13 %	0.13 %
Age 25	0.18 %	0.18 %
Age 30	0.25 %	0.25 %
Age 35	0.37 %	0.37 %
Age 40	0.52 %	0.52 %
Age 45	0.72 %	0.72 %
Age 50	0.99 %	0.99 %
Age 55	1.37 %	1.37 %
Age 60	1.89 %	1.89 %

Notes to the Annual Financial Statements

Figures in Rand thousand

20. Employee benefit obligations (continued)

KZN Municipal Pension Fund:

Nature of the KZN Municipal Pension Fund:

The KZN Municipal Pension Fund is a defined contribution pension fund that started with the transfer of Members from the Durban Pension Fund in 2001. It is the Fund of choice of the Employer.

Size:

At 30 June 2020 the Fund had a membership of over 24 000 with just over R15billion in assets. There are approximately 370 members who have chosen the in-fund living annuity option which is providing members with a low cost annuity solution when compared to the retail living annuity products offered in the market. The in-fund living annuity membership has grown substantially from last year with the Fund Credits of these members now amounting to a substantial R537 million.

Investments:

Best of breed Asset Managers (Coronation, Investec MAZI, Mergence, Prudential, Satrix, Stanlib, Truffle Blackrock and ATA) are mandated to invest the savings of members. The investment managers have remained largely the same since last year. The Trustees have a default portfolio in place for members who do not wish to choose their own investments. For those members who wish to have their own investment strategy the Fund offers investment choice to cater for the various risk appetite of members. The advantage of having such a large Fund is the low negotiated investment fees the Fund enjoys.

Front Office, Insurance and Fund Expenses:

The Trustees continue with the objective of the Fund to become fully self-insured and in 2018 the Disability insurance premium was fully covered by the Fund. The insured Death benefit is covered 50% by the Fund and 50% by Nestlife who are a black owned insurance provider. Nestlife also continues to cover the Funeral benefit. The Fund Front Office at SmartXchange Building, 5 Walnut Road, is staffed to investigate the Death benefit distributions and the administration of Disability claims and payments. Procedures in place continue to be refined and improved as ongoing reviews of the current system are in place to improve the experience of our members. The Front Office has been very successful in relieving the strain from the Employer in dealing directly with member queries and providing other important information to members. The Front Office receives a large volume of walk-in queries on a daily basis which are dealt with immediately. The Fund has managed to keep its risk cost and fund expenses to below 3.0% on average and continually strives to keep the fund's costs down as far as possible without compromising on the service delivery to our members. This has resulted in approximately 15% on average, of the total Employer Contribution rate of 18%, to be credited to members retirement benefit which means members invest a combined minimum of 20%.

Communications:

Communication consists chiefly of the Annual Seminar at multiple venues along with the Road Show seminars and presentations given at Induction sessions, union gatherings, and department staff communication days.

Member appointed trustees also perform an important role of engagement in the workplace.

Printed brochures are made available along with retirement projection statements and benefit statements for each member.

Investment balances are available on-line or can be printed at the front office. The Fund has a web site, members on their e-mail list, as well as a limited presence on social media.

Considerable additional work continues to be placed into investment and retirement counselling as well as financial planning on a one on one basis. Families that are receiving substantial death benefits also receive counselling on tax issues and are encouraged to place their funds in the in-house living annuity when tax becomes a consideration. To an extent this option is also preferred by Trustees rather than the allocation of orphans money to a Beneficiary Fund.

Trustees

Cllr. Sipho Kaunda (Board Chair & eThekweni Exco member), Khanyi Gama (Chair: Finance & Investment Sub-committee), Sthembile Dlamini (Chair: Risk Compliance and Audit Sub-Committee), Paul Babudayal (Chair: Legal, Admin, and Death Benefits Distribution Sub-Committee), Cllr Barbara Fortein (Chair: communications Sub-committee), Cllr. William, Derek Field (ex Principal Officer), Xolani Gabela, Connie Ndlovu.

Notes to the Annual Financial Statements

Figures in Rand thousand

20. Employee benefit obligations (continued)

Multi-Employer Retirement Benefit Plans:

Certain members and Council contribute to the Natal Joint Superannuation, Retirement and Provident Funds (NJMPF), SALA, Multi Linked and GEPF. Employees of eThekwini Municipality make up less than 1% of the total members of the NJMPF. eThekwini's liability in these funds could not be determined owing mainly to the assets not being allocated to each employer and one set of financials being compiled for each fund and not for each employer.

Two of the NJMPF retirement funds are defined benefit in nature. The third fund is a provident fund which is a defined contribution fund.

The last actuarial valuations of the two NJMPF Defined Benefit (DB) Funds (March 2019) showed both funds to be fully funded as regards pensions in payment. For the Retirement Fund, the fund is underfunded as regards contributing members - thus the employers are paying a surcharge. For the Superannuation Fund, the fund has sufficient assets to cover the basic liability as regards contributing members, but not any solvency reserves for the contributing members. A primary reason for the surcharge is that salaries have been increased at rates well in excess of inflation over the past number of years, which has increased the liabilities of the two DB Funds. (From 2016: surcharge updated to 21.65% for Retirement Fund and 9.5% for Superannuation Fund - please refer to valuation reports available from the Fund's website or the Director. The 2017, 2018 and 2019 actuarial valuations reflected a higher required contribution rate in the Retirement Fund, which would result in a higher required surcharge to fund the deficit. However, the Trustees were conscious of affordability and accordingly from January 2017 the surcharge for each local authority of 9.5% in the Superannuation Fund was reduced to offset the required increase in the local authority's surcharge to the Retirement Fund. In principle the increase in the surcharge to the Retirement Fund would not result in any local authority incurring additional costs. The total surcharge per local authority thus remains unchanged, but the split between the Superannuation Fund and Retirement Fund will be different for each local authority).

The three funds cater for employees of all municipalities in KZN. Each fund is treated as one fund and not as a collection of sub-funds for each participating Municipality. In the DB funds any surplus or deficit is spread across all municipalities - each Municipality pays the same rate of contribution and the same rate of surcharge. A special additional surcharge is levied individually on municipalities where an employee has received a salary increase that is deemed to be excessive in comparison with the other municipalities. This has the effect of removing some of the cross-subsidisation between municipalities. Other than this, all municipalities are treated in the same manner.

Each of the funds undergoes an actuarial valuation each year in order to monitor its financial condition. If necessary the Board of Trustees levies a surcharge until the fund is in a sound financial condition, as is currently the case. In this way the Board ensures that the funds are able to afford the promised benefits.

Durban Pension Fund:

The Durban Pension Fund is a closed defined benefit fund. With effect from the 1 June 2015 the Fund has been administered by Alexander Forbes prior to which it was administered by the eThekwini Municipality. The rules of the Fund require that the financial condition of the Fund be investigated and reported on by the Fund's actuary annually. The statutory valuation as at 2019-01-01 revealed that the Fund was 111.4% funded. The value of assets amounted to R10.72billion whilst the value of liabilities and reserves was determined to be R9.62billion. The interim valuation as at 2020-01-01 revealed that the Fund was 105.4% funded. The value of assets amounted to R10.81billion whilst the value of liabilities and reserves was determined to be R10.25billion.

The active member pool solvency reserve is 83% funded and the pensioner pool solvency reserve is 100% funded. Members and the employer contribute at the rate of 7.5% and 19.68% respectively with a further contribution of 5.52% being required to be funded by the employer surplus account and 0.7% from the contribution stabilisation reserve account as reflected in the statutory valuation of the Fund as at 2019-01-01.

Notes to the Annual Financial Statements

Figures in Rand thousand

20. Employee benefit obligations (continued)**The asset composition of the Durban Pension Fund is summarised below:**

	2020	2019
SA Equities	20.40 %	33.67 %
SA Bonds	51.60 %	42.09 %
SA Cash	2.30 %	2.21 %
SA Other	0.30 %	0.68 %
SA Property	4.40 %	4.73 %
Foreign	21.00 %	16.62 %
	100.00	100.00 %

21. Unspent conditional grants and receipts**Unspent conditional grants and receipts comprises of:**

Electricity Demand Side Management Grant	432	2,662
Department of Co Operative Governance and Traditional Affairs	5,649	5,880
Department of Transport and Public Transport Infrastructure	35,940	309,587
Department of Environmental Affairs	7,838	7,838
Neighbourhood Development Partnership	-	1,877
Department of Arts & Culture	581,223	558,707
Grant Accreditation	4,913	4,913
Department of Human Settlements	207,970	232,890
European Union	1,419	1,881
Donations and Public Contributions	37,176	36,876
D Moss Interest and Land Sales	8,073	8,073
Infrastructure Skills Grant	10,579	5,776
Department of Health	119,259	84,619
Sports and Recreation Grant	10,525	10,525
DBSA	96,175	96,305
Municipal Emergency Housing Grant	-	90,810
Municipal Disaster Grant	32,449	79,763
Other Grants and Subsidies	30,160	31,950
	1,189,780	1,570,932

These amounts are invested in a ring-fenced investment until utilised. See note 31 for more detail.

Notes to the Annual Financial Statements

Figures in Rand thousand

22. Provisions

Reconciliation of provisions - 2020

	Opening balance	Additions / (reversals)	Utilised during the year	Interest charged	Change in estimate	Total
Current						
Staff leave	627,846	335,605	(123,781)	-	-	839,670
Performance bonus	78,669	-	(66,775)	-	-	11,894
Long service awards	102,200	77,555	(77,555)	-	-	102,200
Non-current						
Environmental rehabilitation: landfill sites	262,653	-	-	26,922	(18,378)	271,197
Long service awards	1,050,394	(63,056)	-	-	-	987,338
	2,121,762	350,104	(268,111)	26,922	(18,378)	2,212,299

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Interest charged	Change in estimate	Total
Current						
Staff leave	537,826	216,205	(126,185)	-	-	627,846
Performance bonus	62,923	76,900	(61,154)	-	-	78,669
Long service awards	68,990	100,210	(67,000)	-	-	102,200
Non-current						
Environmental rehabilitation: landfill sites	253,851	-	(139)	25,384	(16,443)	262,653
Long service awards	836,631	213,763	-	-	-	1,050,394
	1,760,221	607,078	(254,478)	25,384	(16,443)	2,121,762

Non-current liabilities	1,258,535	1,313,047
Current liabilities	953,764	808,715
	2,212,299	2,121,762

Performance Bonus

All employees who are employed in accordance with provisions of section 57 of the Municipal Systems Act are required, in terms of their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. The criteria in terms of which they are assessed is linked to the I.D.P. 8-point plan. Strategic focus areas and key performance indicators are set out in the plan, together with targets and weightings for each target. Employees are assessed quarterly against these targets and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in this assessment and is subject to the approval of the City Council. The provision also includes performance bonuses payable to non-executive staff.

Notes to the Annual Financial Statements

Figures in Rand thousand

22. Provisions (continued)**Environmental rehabilitation: Landfill sites**

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which was 7.25% at 30 June 2020. The Municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a Municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The Municipality estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs. The principles outlined in the Guidelines issued by the Accounting Standards Board on landfill sites are also used in arriving at the best estimate of the landfill provision and as a result the implementation of the Guidelines when effective will have no impact on the financial statements.

The asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

The following assumptions were used to calculate the provision:

- (1) Discount rate of 7.25% (June 2019: 10.25%);
- (2) Inflation rate 2.20% (June 2019: 4.50%);
- (3) Total area expected to be rehabilitated: 925 850 square metres (June 2019: 901 200 square meters);
- (4) Rate per square metre: R432.46 (June 2019: R423.15) escalating every year by inflation rate;
- (5) Total area to be rehabilitated can be reconciled to the different sites as follows:

Bisasar	360,000	360,000
Marianhill	193,000	193,000
Wyebank	25,000	25,000
Shallcross	29,800	29,800
Buffelsdraai	232,350	207,700
Lovu	85,700	85,700

During the current period there was a change in the assumptions used to calculate the provision for the rehabilitation of landfill sites, which resulted in a change in estimate of R18.4million, decreasing the provision. This change in estimate is mainly attributable to changes in market conditions that had an adverse impact on the discount and inflation rates used to perform the calculation of the landfill site provision. There were also changes in the useful lives of the landfill sites linked to the extent of dumping on each of the sites. A new cell was completed for the Buffelsdraai landfill site, resulting in an increase in the provision recognised. Prior year figures were restated as a result of changes in the rehabilitation area used to calculate the landfill provision as required.

The total rehabilitation can be reconciled as follows:

Name	Opening balance	Interest	Change in estimate	Closing balance
Bisasar	149,929	15,368	(15,322)	149,975
Marianhill	78,776	8,075	(5,911)	80,940
Wyebank	11,837	1,213	(953)	12,097
Shallcross	9,532	977	1,177	11,686
Buffelsdraai	5,797	594	1,887	8,278
Lovu	6,782	695	744	8,221
Totals	262,653	26,922	(18,378)	271,197

Notes to the Annual Financial Statements

Figures in Rand thousand

22. Provisions (continued)**Long service awards**

The conditions of service for employees are as follows:

Long Service Leave accrual

	5 Day Worker- No.of days p.a.	5 Day Worker- Accum per milestone	6 Day Worker- No.of days p.a.	6 Day Worker- Accum per milestone
After 10 years	1	15	1	15
After 20 years	2	25	3	30
After 30 years	4	35	5	50
After 40 years	5	15	6	10
Maximum Accumulation		90		105

Employees who achieve 10 years of service receive a once off cash payment of R500; upon 20 years of service receive a once off cash payment of R1 000 and upon achievement of 30 years service, employees receive a once off cash payment of R1 500. Employees who achieve 40 years service receive a once off payment of R2 000. A long service allowance will accrue as follows:

- 1% of monthly salary at 10-14 years
- 2% of monthly salary at 15-19 years
- 3% of monthly salary at 20-24 years
- 4% of monthly salary at 25-29 years
- 5% of monthly salary at 30-34 years
- 6% of monthly salary at 35 years or more.

The abovementioned is limited to a maximum of R1 703.26 (2019: R1 603.07).

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
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22. Provisions (continued)

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2020 (2019: 30 June 2019). It has been assumed that the staff turnover rate will be insignificant based on historical data. A discount rate of 9.40% (2019: 8.08%) was used based on internal rate of return.

Summary of economic assumptions (rates are per annum) and key demographic assumptions

Gross discount rate	9.40%	8.08%
Salary inflation	5.73%	5.52%
Net discount rate	3.48%	2.43%
Number of trading days per year	252	252
Retirement age	63 years for males and females	63 years for males and females

Summary of membership data used in the valuation

Current employees

Number of current employees	25,708	24,828
Average age of employees	42.8	43.8
Average years of past service	11.3	13.0
Average annual salary (R)	255,275	241,877

Reconciliation of Defined Benefit Obligation

Opening Balance	1,152,594	905,621
Current service cost	97,529	66,304
Interest cost	100,587	87,848
Actuarial (gains) / losses on experience	(54,570)	-
Actuarial (gains) / losses on assumptions	(98,399)	28,489
Past service cost	-	133,322
Cash movements - Benefit payments	(108,203)	(68,990)
	1,089,538	1,152,594

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
22. Provisions (continued)		
Pre-retirement mortality		
Age		
20	0.13%	0.13%
25	0.18%	0.18%
30	0.25%	0.25%
35	0.37%	0.37%
40	0.52%	0.52%
45	0.72%	0.72%
50	0.99%	0.99%
55	1.37%	1.37%
60	1.89%	1.89%
Withdrawal assumption		
Age		
20	7.85%	7.85%
25	5.67%	5.67%
30	4.20%	4.20%
35	3.31%	3.31%
40	2.23%	2.23%
45	1.21%	1.21%
50	0.55%	0.55%
55+	0.00%	0.00%
23. Housing Development Fund		
Accumulated surplus	(209,509)	(209,509)
Loans extinguished by Government on 1 April 1998	266,979	266,979
	57,470	57,470

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
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23. Housing Development Fund (continued)

The Housing Development Fund is represented by the following assets and liabilities

Property, plant and equipment	64,720	65,956
Housing selling scheme loans	51,340	85,305
Housing rental debtors	21,178	8,906
Housing other debtors	7,121	35,240
Housing inventory	95	61
Investments	7,489	7,489
Investment properties	11,203	7,726
Grant accrual	252,787	237,325
Assets	415,933	448,008
Unspent conditional grants	213,622	194,285
Creditors	5,184	9,643
Bank overdraft	127,736	174,719
Consumer deposits	344	344
VAT payable	11,577	11,547
Liabilities	358,463	390,538
Total Housing Development Fund assets and liabilities	57,470	57,470

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

24. Service charges

Sale of electricity	13,513,239	12,443,740
Sale of water	4,571,645	3,871,150
Solid waste	737,076	725,648
Sewerage and sanitation charges	950,435	892,450
Total service charges	19,772,395	17,932,988

25. Housing development construction contracts

The Housing Development Construction contracts relate to agreements entered between the municipality and the KwaZulu-Natal Department of Housing in respect of housing projects where the municipality is a project developer in this arrangement. This arrangement is accounted for in line with the accounting policy for National Housing programmes.

The Housing Development Construction Contract Expenses consists mainly of contracted services wherein the municipality procures the services of building contractors and other consultants in the construction of the houses on its behalf.

The Housing Development Construction Contract Revenue is recognised on a stage of completion based on the costs incurred. There are no contracts accounted for as work in progress given that costs are expensed when incurred.

The amount due for contract work done is recognised as a debtor and disclosed on Note 4: Receivables from exchange transactions.

The amounts received in advance for work to be done is recognised as a liability and disclosed on Note 18: Payables from exchange transactions.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
26. Rental of facilities and equipment		
Sporting bodies	278,201	255,229
Investment properties	97,811	81,957
Business and ancillary	109,736	135,301
Housing rental	73,508	75,520
Other	150,964	152,723
	710,220	700,730
27. Other income		
Sundry income	309,076	355,011
Moses Mabhida Stadium	2,046	3,395
	311,122	358,406
28. Interest revenue		
Interest earned - external investments	488,134	578,168
Interest earned - outstanding debtors	326,314	410,629
	814,448	988,797
29. Fines		
Traffic fine revenue	169,565	148,595
Other fine revenue	19,054	12,069
	188,619	160,664

The breakdown of fines has been included to achieve fair presentation, with comparative disclosures provided. Other fines mainly relate to illegal connections of municipal services and other contraventions with the by-laws of the City. Refer to note 4 for more details on traffic fines.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
30. Property rates		
Rates received		
Residential	2,927,099	2,903,420
Business / Commercial	3,056,892	3,011,381
Unauthorised / Illegal development	1,930	1,826
Development Phasing	67,147	33,579
Agricultural	11,404	10,775
Vacant land	500,087	524,146
Industrial	2,114,506	1,966,443
Public Service Infrastructure	6,159	20,063
Total Assessment Rates	8,685,224	8,471,633
Valuations		
Residential	338,212,383	334,167,042
Business / Commercial	116,060,425	113,798,903
Unauthorised / Illegal development	702,754	428,654
Agricultural	3,819,151	3,850,887
Vacant land	9,938,556	11,054,760
Industrial	60,500,898	60,047,728
Public Service Infrastructure	15,562,967	17,363,845
Development Phasing Line	109,232	110,262
Total Property Valuations	544,906,366	540,822,081

The following are the rate randages that were applied to the valuations in respect of the various categories: Residential - R0.011944 (2019: R0.011191); Agriculture - R0.002986 (2019: R0.002798); Vacant Land - R0.053551 (2019: R0.050176); Industrial - R0.034950 (2019: R0.032748); Business and Commercial - R0.027081 (2019: R0.025373); Public Service Infrastructure - R0.002986 (2019: R0.002798); Unauthorised / Illegal Development - R0.095549 (2019:R0.078337); Development Phasing line - R0.017672 (2019: R0.016558); Sectional Title right of development - R0.053551; Mining Property - R0.034950. In addition to the statutory reduction of R150 000, a further reduction of R105 000 was approved for property values exceeding R230 000. In addition to the R230 000, pensioners, child-headed households, disability grantees and the medically boarded are granted a further rebate not exceeding R4 373p.a. The Senior Citizens rebate is restricted to a maximum limit of R3 million on the value of the property.

Valuations based on market values are performed every 5 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values as well as to adjust for valuation appeals where applicable.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
31. Government grants and subsidies		
Included in grants revenue is R346m recognised for Vat claimed relating to DORA grants.		
Equitable Share	3,160,624	2,893,016
Expanded Public Works Programme Incentive	78,757	75,333
European Union	463	3,171
Primary Health Care Provincial Subsidy	212,998	193,825
Department of Transport and Public Transport infrastructure	729,409	516,290
Demand Side Management	2,230	11,893
Urban Settlement Development Grant	2,094,441	1,859,000
Other Grants	14,623	53,384
Neighbourhood Development Partnership	74,000	23,343
Department of Human Settlements	75,021	100,225
Grant Accreditation	24,064	24,218
Department of Arts and Culture	64,771	56,078
Integrated City Development Grant	109,847	45,596
Electricity Capital Grant	-	27,000
DBSA Grant	365	-
Infrastructure Skills Grant	1,721	4,224
Municipal Disaster Recovery	112,983	-
	6,756,317	5,886,596

Equitable Share

Current-year receipts	3,160,624	2,893,016
Conditions met - transferred to revenue	(3,160,624)	(2,893,016)
	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

D Moss Interest and Land Sales

Balance unspent at beginning of year	8,073	8,073
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Conditions still to be met - remain liabilities (see note 21).

Awaiting the finalisation of land purchase for D MOSS. Commercial Properties have refused to sell their D MOSS properties to the Municipality. The fair value of the land that was intended for acquisition with these proceeds is in the region of R100million.

Department of Environmental Affairs

Balance unspent at beginning of year	7,838	7,838
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Conditions still to be met - remain liabilities (see note 21).

Funding was obtained from various sources and local industries for the implementation of the South Durban Basin Multi Point Plan. The expenditure is incurred over a multi year period based on the rollout of the projects per programme. Further funding will be expended based on the outcome of the Air Quality Management Plan which is currently underway. This grant is received from Department of Environmental Affairs for the National Greening Programme and the promotion of non-motorised transport with the aim of reducing gas emissions.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
31. Government grants and subsidies (continued)		
Department of Transport and Public Transport Infrastructure		
Balance unspent at beginning of year	309,587	306,583
Current-year receipts	765,349	825,877
Conditions met - transferred to revenue	(638,980)	(472,139)
Grants paid back	(309,587)	(306,583)
VAT recognised	(90,429)	(44,151)
	35,940	309,587

Conditions still to be met - remain liabilities (see note 21).

The funds received and utilised relates to subsidy for Remant/ Alton Bus Operating subsidy and traffic and pedestrian planning. There were delays in the projects funded by this grant due to work stoppages; procurements delays, group 5 business rescue and pending agreements with other stakeholders.

R19million of the grant has been utilised to fund operational costs for alleviation of the declared disaster on the covid 19 pandemic.

Neighbourhood Partnership Development

Balance unspent at beginning of year	1,877	28,850
Current-year receipts	72,123	25,220
Conditions met - transferred to revenue	(70,769)	(20,444)
Grant paid back	-	(28,850)
VAT recognised	(3,231)	(2,899)
	-	1,877

Conditions still to be met - remain liabilities (see note 21).

Focus of the grant is to create economic infrastructure in dormitory townships that will attract private sector investment.

European Union

Balance unspent at beginning of year	1,881	5,052
Conditions met - transferred to revenue	(462)	(2,094)
Prior year adjustment	-	(1,077)
	1,419	1,881

Conditions still to be met - remain liabilities (see note 21).

Funds used for Capacity Enhancement / Knowledge Management in terms of close our report

Other Grants and Subsidies

Balance unspent at beginning of year	31,950	30,475
Current-year receipts	12,833	54,859
Conditions met - transferred to revenue	(14,623)	(41,383)
Prior year adjustment	-	(12,001)
	30,160	31,950

Conditions still to be met - remain liabilities (see note 21).

Other grants and subsidies were utilised during the year to fund various Council projects. Underspending was also due to part of the funding received late in the year.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
31. Government grants and subsidies (continued)		
Department of Human Settlements		
Balance unspent at beginning of year	232,890	137,421
Current-year receipts	50,101	195,694
Conditions met - transferred to revenue	(75,021)	(88,972)
Prior year adjustment	-	(5,076)
VAT recognised	-	(6,177)
	207,970	232,890
Conditions still to be met - remain liabilities (see note 21).		
Funding is used for:		
* Administration of hostels in KZN;		
* Social housing and housing conveyancing;		
* R293 projects and Cornubia construction.		
Grant Accreditation		
Balance unspent at beginning of year	4,913	4,913
Current-year receipts	24,064	24,218
Conditions met - transferred to revenue	(24,064)	(24,218)
	4,913	4,913
Conditions still to be met - remain liabilities (see note 21).		
These funds are for the administrative support provided for RDP houses.		
Department of Co-operative Governance and Traditional Affairs		
Balance unspent at beginning of year	5,880	5,000
Current-year receipts	-	1,000
Paid back	(231)	-
Prior year adjustment	-	(120)
	5,649	5,880
Conditions still to be met - remain liabilities (see note 21).		
These funds are used for implementing projects identified through the KZN Corridor Development Programme, supporting existing Council initiatives that require additional funding, and to unlock strategic economic development opportunities within the Northern Municipal Planning Region (NMPR) of the City.		
The delay is due to the Municipality awaiting confirmation from COGTA to keep the grant funding that was insufficient to fully fund the planned projects to fund other projects. R1m received for youth summit in 18/19 was not spent due to Youth summit event being postponed by COGTA.		
Donations and Public Contributions		
Balance unspent at beginning of year	36,876	30,793
Current-year receipts	300	6,083
	37,176	36,876
Conditions still to be met - remain liabilities (see note 21).		
The grants were received from various organisations to finance various developments. In the prior year this includes the development of Nandi Drive and various roads in Hillcrest.		

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
31. Government grants and subsidies (continued)		
Department of Arts & Culture		
Balance unspent at beginning of year	558,707	527,574
Current-year receipts	87,287	87,212
Conditions met - transferred to revenue	(64,771)	(55,801)
VAT recognised	-	(278)
	581,223	558,707

Conditions still to be met - remain liabilities (see note 21).

The grant is for the capital and operating expenditure for the Libraries as well as the Museum. There has been challenges in the procurement process for the libraries as well as delays in the capital project of the Museum which has resulted in delays in the procurement of capital assets (computer, furniture, artworks etc.) for the Museum therefore resulting in under expenditure.

Electricity Demand Side Management Grant

Balance unspent at beginning of year	2,662	847
Current-year receipts	-	14,000
Conditions met - transferred to revenue	(1,939)	(10,346)
Paid back	-	(293)
VAT recognised	(291)	(1,546)
	432	2,662

Conditions still to be met - remain liabilities (see note 21).

This grant is used to finance the Gas to Electricity projects. Underspensing is due to funds that were allocated for the Exterior lighting Retrofit project at Moses Mabhida Stadium which was completed in the current financial year. The balance will be paid back to the department.

Infrastructure Skills Grants

Balance unspent at beginning of year	5,776	5,635
Current-year receipts	36,300	33,200
Grant transferred - Umgeni Water	(24,000)	(23,200)
Paid back	(5,776)	(5,635)
Conditions met - transferred to revenue	(1,721)	(4,223)
VAT recognised	-	(1)
	10,579	5,776

Conditions still to be met - remain liabilities (see note 21).

This grant is used for the development of engineering and related technology graduates to equip themselves in achieving professional registration in water and wastewater related skills. The spending is lower due to a decrease in the number of students funded by this grant and the delay in the appointment of a mentor.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
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31. Government grants and subsidies (continued)

Urban Settlements Development Grant

Current-year receipts	2,094,441	1,859,000
Conditions met - transferred to revenue	(1,850,080)	(1,622,567)
VAT recognised	(244,361)	(236,433)
	-	-

This grant was utilised for housing densification, water, electricity and sanitation infrastructure, sidewalks, agricultural gardens and various town centre renewals. This grant has replaced the former Municipal Infrastructure Grant. R241million of the grant has been utilised to fund operational costs for alleviation of the declared disaster on the covid 19 pandemic.

Expanded Public Works Incentive Grant

Current-year receipts	78,757	75,333
Conditions met - transferred to revenue	(78,757)	(75,333)
	-	-

This grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing them economic participation and resulting in poverty alleviation.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
31. Government grants and subsidies (continued)		
Primary Health Care Provincial Subsidy		
Balance unspent at beginning of year	84,619	62,084
Current-year receipts	162,572	117,586
Stock Medicine	34,640	22,535
Conditions met - transferred to revenue	(212,998)	(193,825)
Accrued receipts	50,426	88,433
Prior year adjustment	-	(12,194)
	119,259	84,619

Conditions still to be met - remain liabilities (see note 21).

Municipality renders health services on behalf of the Provincial Government. This grant has been used exclusively to fund clinic services. The balance relates to the closing medicine stock held by the Municipality.

Department of Sports & Recreation

Balance unspent at beginning of year	10,525	10,525
Current-year receipts	-	1,500
Prior year adjustment	-	(1,500)
	10,525	10,525

Conditions still to be met - remain liabilities (see note 21).

This grant is for the construction of Durban Soccer Academy and Kwamashu sportfield. Delays were due to litigation matters being resolved late.

DBSA

Balance unspent at beginning of year	96,305	95,992
Current-year receipts	235	313
Conditions met - transferred to revenue	(365)	-
	96,175	96,305

Conditions still to be met - remain liabilities (see note 21).

To be used for various community reforestation projects, rehabilitation of the Palmiet River projects, Western and Northern aqueduct projects. There were delays earlier in the year due to work stoppages. Projects are now in progress.

Municipal Emergency Housing Grant

Balance unspent at beginning of year	90,810	-
Current-year receipts	54,622	90,810
Conditions met - transferred to revenue	(112,983)	-
	32,449	90,810

Conditions still to be met - remain liabilities (see note 21).

This grant is used for the provision of housing during emergencies.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
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31. Government grants and subsidies (continued)

Electricity Capital Grant

Current-year receipts	-	27,000
Conditions met - transferred to revenue	-	(23,478)
VAT recognised	-	(3,522)
	-	-

This grant was used for the electrification programme of indigents.

Intergrated City Development

Current-year receipts	109,847	45,596
Conditions met - transferred to revenue	(102,124)	(39,649)
VAT recognised	(7,723)	(5,947)
	-	-

The grant was used to provide financial incentive for Metropolitan Municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form.

Municipal Disaster Grant

Balance unspent at beginning of year	79,763	-
Current-year receipts	-	79,763
Paid back	(79,763)	-
	-	79,763

Conditions still to be met - remain liabilities (see note 21).

This grant is used to assist communities after disasters.

32. Levies

Fuel levy	2,610,602	2,338,680
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National Treasury shared revenue generated by the general fuel levy.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
33. Employee related costs		
Employee related costs - salaries and wages	6,464,100	5,905,886
Medical aid and pension benefits	1,766,327	1,534,509
UIF and workmans compensation	45,866	44,285
Contribution to provisions (leave pay, performance bonus, long service awards)	350,104	607,108
Travel, motor car, accommodation, subsistence and other allowances	481,536	445,001
Overtime payments	1,421,932	1,344,535
Housing benefits and allowances	41,778	38,613
Holiday bonus (13th cheque)	505,287	462,755
Other	24,655	23,277
Less: Employee costs relating to capitalisation and maintenance of PPE	(52,624)	(67,246)
	11,048,961	10,338,723
Municipal Manager - Mr. S. Nzuza		
Annual remuneration	3,107	3,027
Car allowance	190	185
Other allowances (subsistence, leave cashing, backpay)	-	179
Contributions to UIF and SDL	34	35
	3,331	3,426
Chief Finance Officer - Mr. K. A. Kumar		
Annual remuneration	1,819	1,642
Car allowance	630	569
Performance bonuses	-	145
Holiday bonus (13th cheque)	152	142
Market allowance	242	242
Cellphone allowance	18	18
Other allowances (subsistence, leave cashing, backpay)	137	122
Contributions to UIF, SDL, medical and pension funds	422	398
	3,420	3,278
D.C.M: Economic Development and Planning - Mr. P. Sithole		
Annual remuneration	1,485	1,440
Car allowance	412	400
Performance bonuses	-	102
Holiday bonus (13th cheque)	158	158
Cellphone allowance	12	12
Other allowances (subsistence, backpay)	26	87
Contributions to UIF and SDL	15	18
	2,108	2,217

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
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33. Employee related costs (continued)

D.C.M: Governance - Mr. S. O. Cele (acting Municipal Manager from 26 March 2020 to 28 September 2020)

Annual remuneration	1,819	1,642
Car allowance	630	569
Performance bonuses	-	113
Holiday bonus (13th cheque)	152	142
Market allowance	121	121
Cellphone allowance	12	12
Other allowances (subsistence, leave cashing, backpay)	110	133
Contributions to UIF, SDL, medical and pension funds	406	386
	3,250	3,118

D.C.M: Trading Services - Mr. Mashoko (resigned 30 September 2019)

Annual remuneration	608	2,360
Car allowance	28	110
Performance bonuses	-	168
Holiday bonus (13th cheque)	51	203
Market allowance	61	243
Cellphone allowance	3	12
Other allowances (non-pensionable, leave cashing, backpay)	193	136
Contributions to UIF and SDL	9	31
	953	3,263

Head: City Integrity and Investigation - Mr. Ngcobo

Annual remuneration	1,229	1,141
Car allowance	426	396
Performance bonuses	-	183
Holiday bonus (13th cheque)	102	96
Cellphone allowance	9	9
Other allowances (subsistence, backpay, leave cashing)	-	93
Contributions to UIF, SDL, medical and pension funds	291	276
	2,057	2,194

D.C.M: Corporate and Human Resources - Mrs. D. P. Nene (contract expired 31 January 2019)

Annual remuneration	-	961
Car allowance	-	63
Performance bonuses	-	195
Holiday bonus (13th cheque)	-	103
Cellphone allowance	-	7
Other allowances (subsistence, leave cashing)	-	146
Contributions to UIF, SDL, and medical fund	-	30
	-	1,505

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
33. Employee related costs (continued)		
D.C.M: Human Settlements - Ms. B. Mphakathi		
Annual remuneration	1,878	1,822
Car allowance	177	172
Performance bonuses	89	-
Cellphone allowance	12	12
Other allowances (subsistence, backpay)	39	92
Contributions to UIF and SDL	17	15
	2,212	2,113
Head: Internal Audit/Chief Audit Executive - Mr. R. Machumi (appointed 01 August 2018)		
Annual remuneration	1,200	1,027
Car allowance	516	442
Cellphone allowance	9	8
Other allowances (backpay, leave cashing)	37	8
Contributions to UIF, SDL, medical and pension funds	266	246
	2,028	1,731
Chief Operating Officer - Mr. M. Mbhele (appointed 01 May 2019 - internally)		
Annual remuneration	1,455	238
Car allowance	473	78
Performance bonuses	95	-
Holiday Bonus (13th cheque)	167	-
Cellphone allowance	12	2
Other allowances (subsistence, leave cashing)	219	229
Contributions to UIF, SDL, medical and pension funds	54	3
	2,475	550
Head: Information Management Unit/ Chief Information Officer - Mr. R. Dlamini		
Annual remuneration	1,240	1,152
Car allowance	430	399
Performance bonuses	-	78
Holiday bonus (13th cheque)	103	97
Cellphone allowance	9	9
Other allowances (subsistence, backpay, long service)	36	37
Contributions to UIF, SDL, medical and pension funds	298	279
	2,116	2,051
Chief Strategic Officer - Mr. A. Peters		
Annual remuneration	1,688	1,568
Car allowance	524	540
Performance bonuses	-	114
Holiday bonus (13th cheque)	141	132
Market allowance	524	524
Cellphone allowance	12	12
Other allowances (subsistence, entertainment, telephone, long service, backpay)	45	89
Contributions to UIF, SDL, medical and pension funds	357	341
	3,291	3,320

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
34. Remuneration of councillors		
Mayor	1,390	1,450
Deputy Mayor	1,141	1,143
Mayoral Committee Members	10,535	9,564
Speaker	1,137	1,159
Councillors	116,630	112,399
Traditional Leaders	780	780
Total Councillors' Remuneration	131,613	126,495

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are provided with bodyguards and are also provided with offices and secretarial support at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
34. Remuneration of councillors (continued)		
Mayor (1)		
Remuneration allowances	1,288	1,132
Travelling allowance	24	58
Cellphone allowance	41	41
Medical aid	9	49
Pension fund	28	170
	1,390	1,450
Deputy Mayor (1)		
Remuneration allowances	842	948
Travelling allowance	6	12
Motor vehicle allowance	228	-
Cellphone allowance	41	41
Pension fund	24	142
	1,141	1,143
Speaker (1)		
Remuneration allowances	1,027	677
Travelling allowance	-	28
Motor vehicle allowance	45	273
Cellphone allowance	41	41
Medical aid	7	39
Pension fund	17	101
	1,137	1,159
Mayoral Committee Members (9)		
Remuneration allowances	7,623	7,007
Travelling allowance	53	71
Motor vehicle allowance	1,410	1,025
Cellphone allowance	326	359
Medical aid	444	414
Pension fund	679	688
	10,535	9,564
Councillors (207)		
Remuneration allowances	70,380	67,584
Travelling allowance	3,882	304
Motor vehicle allowance	16,966	20,023
Cellphone allowance	8,438	8,317
Medical aid	7,461	6,975
Pension fund	9,503	9,196
	116,630	112,399
Traditional Leaders (13)		
Allowances	780	780

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
35. Finance costs		
Non-current borrowings	865,068	829,384
Trade and other payables	86	1,150
Landfill provision unwinding of interest	26,922	25,385
	892,076	855,919

The interest eligible for capitalisation to work-in-progress in the current year was considered to be immaterial (2019: R2.7million). The capitalisation of interest at the rate of 9% was previously applicable for qualifying assets that existed before the decision by council to expense all borrowing costs. For these assets, borrowing costs were capitalised to work-in-progress until such a time the project was completed and capitalised, with all other borrowing costs expensed.

The accumulated borrowing costs that have been capitalised to work-in-progress as at 30 June 2020 are R84.8million, which is the same as in the prior year.

Based on the immaterial impact of the capitalization of interest to work-in-progress on previously qualifying assets, all borrowing costs will be expensed going forward.

36. Bulk purchases (cost of sales)

Electricity - Eskom	9,905,622	8,884,076
Water - Umgeni Water	3,331,642	2,596,939
	13,237,264	11,481,015

37. Contracted services

Outsourced services

Administrative and support staff	316,141	320,432
Cleaning services	92,879	92,710
Clearing and grass cutting services	132,901	178,009
Hygiene services	79,196	57,305
Meter management	20,079	57,830
Refuse removal	275,125	369,429
External security	983,903	886,705
Other	62,819	79,036

Consultants and professional services

Engineering and other technical services	67,173	64,630
Legal expenses	55,806	48,892
Research and advisory	54,875	142,554
Project management	78,677	41,551
Other	43,684	63,200

Contractors

Artists and performers	20,164	21,156
Catering services	51,570	68,075
Event promoters	30,652	38,493
Repairs and maintenance	2,459,210	2,023,359
Recycling	24,266	19,415
Stage and sound crew	27,924	30,563
Other	74,762	84,588
	4,951,806	4,687,932

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
38. Grants and subsidies		
Grant paid: Point Precinct Trust	2,425	2,065
Grant paid: Sporting organisations	278,201	255,230
Grant paid: ICC Durban (Proprietary) Limited	30,000	8,441
Grant paid: Durban Marine Theme Park (State Owned Company) Limited	137,725	74,775
Grant Paid: Playhouse Company	2,000	-
Grant paid: Natal Philharmonic Orchestra	7,681	7,316
Grant paid: Other	293,112	196,977
Grant paid: The Loerie awards	-	1,500
Grant paid: KZN Sharks (Pty) Ltd	4,170	4,000
	755,314	550,304
39. General expenses		
Advertising	66,753	111,509
Auditors remuneration	21,811	23,635
Bank charges	8,098	7,037
Cleaning	33,105	31,998
Commission paid	68,046	74,923
Information systems - consulting and professional fees	248,253	361,540
Delivery expenses	2,537	1,944
Civic entertainment	87	346
Hire of facilities, plant and equipment	443,786	335,258
Insurance	108,673	94,456
Conferences and seminars	36,605	44,977
IT expenses	1,321	818
Marketing	8,171	11,506
Management fees	277,539	266,764
Magazines, books and periodicals	7,248	14,521
Medical requisites	20,218	4,445
Fuel and oil	311,545	327,465
Postage and courier	26,386	33,866
Printing and stationery	53,757	61,320
Promotions	21,665	32,437
Protective clothing	60,069	52,824
Subscriptions and membership fees	25,767	22,311
Telephone and fax	68,506	54,797
Transport and freight	18,552	30,051
Training	79,320	85,819
Travel - local	16,306	27,391
Travel - overseas	5,244	13,712
Title deed search fees	276	1,011
Refuse bags	80,757	70,179
Small plant and tools	6,724	12,498
Other expenses	881,929	898,963
	3,009,054	3,110,321

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
40. Cash generated from operations		
Surplus	460,876	2,020,895
Adjustments for:		
Depreciation on PPE	2,403,442	2,320,952
Loss / (gain) on sale of PPE	(6,233)	2,041
Amortisation of Intangible assets	236,016	234,755
Depreciation: investment properties	791	782
Loss from Joint Venture	9,478	2,484
Impairment PPE	16,017	17,694
Debt impairment	2,796,569	1,193,256
Impairment reversal on investment properties	-	(3,927)
Movements in retirement benefit assets and liabilities	(159,908)	(257,057)
Movements in provisions	98,008	343,013
Loss on impairment: investment properties	585	2,726
Donations: PPE	(279)	(458)
Reversal of loss on impairment: Municipal Entity	(2,323)	-
Loss on impairment: Municipal Entity	-	48,630
Changes in working capital:		
Inventories	(86,794)	(68,901)
Receivables from exchange transactions	(145,748)	(612,195)
Consumer debtors	(2,679,293)	(2,259,841)
Other receivables from non-exchange transactions	(157,238)	(128,321)
Payables from exchange transactions	720,032	891,381
VAT	128,067	218,845
Unspent conditional grants and receipts	(381,152)	303,397
Transfers payable from non-exchange transactions	28,717	(8,670)
Consumer deposits	140,549	80,864
	3,420,179	4,342,345

41. Utilisation of long-term liabilities reconciliation

Long-term liabilities	8,367,175	9,419,915
Used to finance property, plant and equipment – at cost	(8,367,175)	(9,419,915)
	-	-

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
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42. Commitments

Commitments in respect of capital expenditure

Approved and contracted for

• Infrastructure	3,068,640	2,986,476
• Community	72,902	190,880
• Land and buildings	101,831	103,830
• Other	813,492	482,737
	4,056,865	3,763,923

Approved but not yet contracted for

• Infrastructure	435,691	427,958
• Other	3,420	-
	439,111	427,958

Total capital commitments

Approved and contracted for	4,056,865	3,763,923
Approved but not yet contracted for	439,111	427,958
	4,495,976	4,191,881

Included in the other capital commitments figure for Housing is Housing Agency commitments amounting to R752million (2019: R375million).

Operating leases - as lessee (expenditure)

Minimum lease payments due

- within one year	57,011	75,389
- in second to fifth year inclusive	57,915	46,320
- later than five years	945	2,659
	115,871	124,368

Operating Commitments

Minimum lease payments due

- payable within one year	794,033	1,124,372
- payable within two to three years	225,097	387,198
- payable after three years	12,687	27,279
	1,031,817	1,538,849

There are no operating commitments for external security as the contract is on a month to month basis. The 3 year budget forecast is R710.7million, R753.5million and R816million respectively.

All commitments are stated exclusive of VAT.

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

43. Operating leases - as lessor (income)

Rental income recognised from operating leases has not been accounted for on the straight-line basis over the lease terms for the following reasons:

Approximately 50% of lease income is short term ie. the lease is terminable at 1 to 3 months notice;
Approximately 45% of long term lease income is based on turnover ie. subjective and not fixed.

Lease income is recognised as it accrues. The straight-lining of lease income is considered not to provide a fair reflection of income from leases.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
44. Contingencies		
Contingent liability: Contractual disputes	327,143	1,025,161
Various departments within the Municipality have price disputes with certain contractors.		
Contingent liability: Self Insurance Reserve	935,064	879,187
Various claims submitted to the Insurance department of the Municipality are under dispute. The estimated liability of such claims is disclosed.		
Contingent liability: Property rates	54,270	37,126
During the implementation of the Municipal Property Rates Act (MPRA), ratepayers were given the opportunity to object to the property valuations used in the computation of their property rates charge. These objections were investigated and resolved. Ratepayers that were dissatisfied with the results of the response had the right to lodge an appeal in terms of the MPRA. The appeals process has commenced. If the ratepayers are successful in their appeal, the above rates revenue recognised for the year will have to be reversed.		
Contingent liability: Bank guarantees	161,939	148,521
These guarantee's are issued in favour of the following: - S.A. Post Office: R76 000 (Nedbank Bank) dated 08 May 2017; - S.A. Post Office: R1.900million (Nedbank Bank) dated 08 May 2017; - Compensation Commissioner: R149.963million (2019: R136.545million) - (NedBank) dated 25 February 2016; - Water and Sanitation: Demand guarantee (R10million)		
Contingent liability: Legal claims	201,808	219,116
Various claims submitted to the legal department of the Municipality are in the process of being resolved. The estimated liability of such claims, should the claimant be successful, is disclosed. Costs and disbursements relating to litigation are included in the contingent liability where they can be reliably estimated. In most instances these cannot be reliably estimated due uncertainty about the number of instances the Municipality would need to appear at court.		
Legal disputes relate to:		
-Rates dispute: R12.8million (2019: R5.2million); -Value of compensation in respect of expropriation of various properties: R83.4million (2019: R107.2million); -Claims for damages - various: R105.6million (2019: R105.7million); -Legal Insurance claims: R0 (2019: R0.9million).		
Contingent liability: Claims - bus operator	132,050	132,050
- There is currently a dispute with respect to the amount owing by the bus operator, which is R236million disclosed in other receivables; - The bus operator has submitted a claim to the Municipality which amounts to R632.5million. Meetings to resolve the dispute are still ongoing.		
Contingent asset: Recovery of irregular expenditure	80,479	-

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
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44. Contingencies (continued)

Irregular expenditure amounting to R80,5million has been recommended for recovery by Council. The recovery process is pending the conclusion of disciplinary processes to be undertaken against the employees implicated from finalised investigations.

The irregular expenditure relates to the following departments:

- Water and sanitation - R79.9million;
- eThekwini Municipal academy - R0.4million;
- Human resources - R0.2million.

Contingent asset: SARS - VAT claim	-	52,706
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The contingent asset in the prior year related to an amount of R52.71million claimed by the municipality from SARS in respect of invoices relating to prior financial years following the ongoing scrutiny of payments. As the economic benefits would only have been realised once the SARS assessment had been finalised, a contingent asset had been disclosed.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
45. Related parties		
Relationships		
Municipal Entities (refer to note 14)	Durban Marine Theme Park SOC Limited	
Special Purpose Entity	ICC Durban (Pty) Ltd	
Joint Ventures (refer to note 15)	EtheKwini Transport Authority	
	Effingham Development Joint Venture	
	Durban Point Development Company	
Key Management Personnel (refer to notes 33 and 34)	Senior Management and Councillors	
Related party balances as at 30 June 2020 and 30 June 2019:		
Loan accounts - Owing by related parties		
Durban Point Development Company	185,960	178,266
Amounts included in trade receivables regarding related parties		
Durban Marine Theme Park SOC Limited	27,345	24,201
ICC Durban (Pty) Ltd	11,968	12,078
Effingham Development Joint Venture	10,155	9,620
Amounts included in trade payables regarding related parties		
Durban Marine Theme Park SOC Limited	7,724	488
ICC Durban (Pty) Ltd	1,957	8,746
Durban Point Development Company	-	8,634
EtheKwini Transport Authority	40,163	37,971
Consumer Deposits		
ICC Durban (Pty) Ltd	1,647	1,647
Related party transactions for the period ended 30 June 2020 and 30 June 2019:		
Sales to related parties		
ICC Durban (Pty) Ltd:	-	-
Electricity	13,273	16,955
Water and sanitation	2,181	2,416
Refuse	892	958
Rates	3,964	9,720
Insurance	8	21
Durban Marine Theme Park SOC Limited:	-	-
Electricity	24,159	22,490
Water and sanitation	9,885	10,791
Waste	1,031	970
Insurance	692	312
Rates	3,480	3,857
Durban Point Development Company:	-	-
Rates	7,697	7,212
Electricity and water	14	31
Surplus / (Deficit) from Joint Venture	(5,316)	(5,321)
Effingham Development Joint Venture:	-	-
Surplus / (Deficit) from Joint Venture	(4,162)	2,837
The share of losses from Durban Point Development Company have been included on the related party disclosures for completeness and consistency with the Effingham Development Joint Venture disclosures. Comparative figures have also been disclosed.		
Purchases from related parties		
ICC Durban (Pty) Ltd:	-	-
General expenses	62,972	66,932
Grant-in-aid	30,000	8,441
Durban Marine Theme Park SOC Limited:	-	-

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
45. Related parties (continued)		
General expenses	6,331	8,566
Grant-in-aid	137,725	74,775
EtheKwini Transport Authority:	-	-
General expenses	2,184	2,312
EtheKwini Municipality granted Durban ICC (Pty) LTD a right of use of its building at a rental below market value. The market related rental for the year ended 30 June 2020 is deemed to be valued at R30 million. There were no cash disbursements to Durban ICC (Pty) LTD in the form of grants in aid during the current financial year. There is no interest charged by the municipality on related party balances relating to municipal services. Prior year figures have been adjusted where applicable in line with the prior year adjustments that were processed.		
46. Prior year adjustments		
The following adjustments all relate to corrections of prior-period misstatements.		
Consumer debtors		
Balance previously reported (30 June 2019)	-	5,604,018
Rates adjustments	-	133,025
Electricity charges adjustments	-	4,278
Interest charges adjustments	-	(70)
	-	5,741,251
Interest in Joint Ventures		
Balance previously reported (30 June 2019)	-	100,311
Effingham Development restatements	-	5,660
	-	105,971
Payables from exchange transactions		
Balance previously reported (30 June 2019)	-	6,826,249
Accruals adjustments	-	34,631
Stale cheques written back	-	(14,308)
Retention adjustments	-	(3,952)
Westwood insurance write off	-	(64,877)
Property, plant and equipment adjustments	-	5,373
	-	6,783,116
Intangible assets		
Balance previously reported (30 June 2019)	-	684,865
Cost adjustments	-	31,413
Amortisation adjustments	-	(22,783)
	-	693,495
Non-current provisions		
Balance previously reported (30 June 2019)	-	1,334,089
Landfill site rehabilitation adjustments	-	(21,042)
	-	1,313,047
Current provisions		
Balance previously reported (30 June 2019)	-	770,396
Staff leave adjustments	-	38,319
	-	808,715

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
46. Prior year adjustments (continued)		
Property, plant and equipment		
Balance previously reported (30 June 2019)	-	50,881,060
Cost adjustments	-	769,368
Depreciation adjustments	-	(652,259)
	-	50,998,169
Accumulated surplus		
Balance previously reported (30 June 2019)	-	42,514,031
Adjustments to 2018/19 Income Statement:		
Service charges	-	(28,338)
Housing development construction contract revenue	-	428,300
Rental of facilities and equipment	-	2,418
Other income	-	16,517
Interest received	-	(98)
Property rates	-	133,025
Donations - Property, plant and equipment	-	1
Government grants and subsidies	-	5,961
Employee related costs	-	(48,406)
Amortisation - Intangible assets	-	(12,427)
Depreciation - Property, plant and equipment	-	(226,426)
Impairment loss - Property, plant and equipment	-	(2,685)
Finance costs	-	1,915
Lease rentals on operating lease	-	(1,440)
Contracted services	-	(9,071)
Grants and subsidies	-	(2,777)
Housing development construction contract expenditure	-	(428,300)
Loss on disposal of assets and liabilities	-	(54)
Share of losses from Joint Ventures	-	16,919
Impairment loss - Investment in Municipal Entities	-	(28,619)
General expenses	-	(6,181)
Adjustments prior to 2018/19:		
Property, plant and equipment adjustments	-	397,667
Intangible assets adjustments	-	(10,402)
Investment in Municipal Entities adjustments	-	(122,869)
Receivables from exchange adjustments	-	3,942
VAT adjustments	-	50,720
Payables from exchange adjustments	-	88,616
Unspent conditional grant adjustments	-	916
Non-current provisions adjustments	-	185
Interest in Joint Ventures adjustments	-	(11,259)
Inventories adjustments	-	(2,583)
	-	42,719,198
Inventories		
Balance previously reported (30 June 2019)	-	592,117
Electricity cost price adjustments	-	7,577
	-	599,694
Unspent conditional grants and receipts		
Balance previously reported (30 June 2019)	-	1,579,501
Recognition of income previously omitted	-	(7,569)
Reversal of income incorrectly recognised	-	500
Reversal of accrual incorrectly raised	-	(1,500)
	-	1,570,932

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

2020

2019

46. Prior year adjustments (continued)

Receivables from exchange transactions

Balance previously reported (30 June 2019)	-	2,692,235
Reversal of grants incorrectly accrued for	-	(13,694)
Accrual for grant previously omitted	-	12,001
Other accruals adjustments	-	3,994
Clearing of insurance debtor	-	(336)
Accrual for VAT apportionment	-	16,286
Trade effluent accrual reversal	-	(28,338)
Property, plant and equipment adjustments	-	74
	-	2,682,222

VAT receivable

Balance previously reported (30 June 2019)	-	267,976
Property, plant and equipment: capital adjustments	-	3,351
Payables from exchange transactions: VAT adjustments	-	2,124
Correction of Umgeni Water adjustment	-	18,067
Input VAT - 2015/16 adjustment	-	34,639
Retention adjustments	-	(1,622)
Consumer debtors electricity adjustments	-	(525)
	-	324,010

Investments in Municipal Entities

Balance previously reported (30 June 2019)	-	920,819
Durban Marine Theme Park impairment adjustments	-	(151,488)
	-	769,331

The reasons for the various adjustments are summarised below:

Investment in Municipal Entities:

Re-calculation relating to the impairment amount for Durban Marine Theme Park.

Consumer debtors:

Rates and electricity adjustments relating to prior periods.

Payables from exchange transactions:

Reversal of items incorrectly accrued for, write-offs of stale cheques and retentions.

Raising of accruals erroneously omitted in prior periods.

Property, plant and equipment:

Capitalisation of assets received in prior periods but not accrued for.

VAT element of PPE items received in prior periods but not accrued for.

Adjustments relating to the inclusion of the International Convention Centre.

Depreciation adjustments due to changes in useful lives.

Intangible assets:

Cost / amortisation adjustments.

Receivables from exchange transactions:

Adjustments for VAT apportionment, grants and accruals.

Inventories:

Electricity cost price adjustments.

Non-current provisions:

Re-calculations relating to landfill sites rehabilitation provision.

Current provisions:

Addition of annual salary increase to leave provision calculation.

VAT receivable:

VAT portions relating to prior year adjustments.

Unspent conditional grants:

Recognition of income previously omitted and reversal of income incorrectly recognised or accrued for.

Interest in Joint Ventures:

Adjustments relating to restatement of management accounts in prior reporting periods.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand	2020	2019
47. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	14,307	13,555
Amount paid - current year	(14,307)	(13,555)
	-	-
Audit fees		
Opening balance - previous year fees	1,630	159
Current year audit fees	21,653	23,635
Amount paid for current year	(20,987)	(22,005)
Amount paid for previous year	(1,630)	(159)
	666	1,630
PAYE, UIF and SDL		
Current year payroll deductions	1,899,329	1,713,722
Amount paid - current year	(1,899,329)	(1,713,722)
	-	-
Pension and Medical Aid Deductions		
Current year expenditure	2,705,792	2,471,958
Amount paid - current year: Defined Benefit Pension Funds	(205,745)	(211,777)
Amount paid - current year: Defined Contribution Pension Funds	(1,478,806)	(1,335,338)
Amount paid - current year: Medical Aid	(1,021,241)	(924,843)
	-	-
VAT		
VAT received for the year	582,245	804,447
VAT paid	(10,297)	(77,746)
	571,948	726,701

VAT output payables and VAT input receivables are shown in note 5.

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements**47. Additional disclosure in terms of Municipal Finance Management Act (continued)****Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days during the financial years ended June 30, 2020 and June 30, 2019:

June 30, 2020	Amount outstanding (Rands)	Month
Councillor M. Gwala	3,106	May-20
Councillor N. Biyela	1,134	May-20
Councillor MH. Zwane	10,242	Nov-19
Councillor MM. Mthembu	313	Oct-19
Councillor B. Ndlela	864	Jun-20
Councillor LN. Mngwengwe	4,059	Oct-19
Councillor B. Mngwengwe	179	May-20
Councillor S. Moonsamy	1,651	Jun-20
Councillor B. Majola	376	Feb-20
Councillor R. Cloete	153	Jun-20
Councillor MB. Mjadu	946	Jul-19
Councillor M. Mkhize	1,568	Jan-20
Councillor C. Dlamini	106	Feb-20
Councillor SS. Butelezi	996	Apr-20
Councillor PL. Hlengwa	270	May-20
Councillor S. Dlamini	23	Jun-20
Councillor M. David	1,100	Oct-19
Councillor M. Mthembu	100	Oct-19
Councillor HP. Shozi	109	Jun-20
Councillor H. Khubisa	100	Oct-19
Councillor A. Mbele	1,691	May-20
Councillor X. Mkhize	147,405	Jun-20
Councillor ON. Mthembu	70,638	Feb-20
Councillor MBR. Zuma	200	Nov-19
Councillor P. Mfeka	336	Apr-20
Councillor ZS. Ndzoziya	50,167	Jun-20
Councillor SB. Mngadi	245	Apr-20
Councillor AB. Mvubu	695	May-20
Councillor MM. Ngiba	868	May-20
Councillor PN. Sikhosane	100	Oct-19
Councillor T. Sabelo	1,791	Jun-20
Councillor Ndlela	3	Apr-20
Councillor MS. Nkosi	8,455	Jun-20
Councillor SNC. Khwela	21,123	Jun-20
Councillor G. Govender	341	Jun-20
Councillor E. Mngadi	1,776	Jun-20
Councillor NN. Nyanisa	5,938	Jun-20
Councillor S. Bhanprakash	37,044	Jun-20
Councillor BA. Fortein	758	Jun-20
Councillor S. Brijmohan	38,291	Jun-20
Councillor A. Mkhize	1,322	Jun-20
Councillor MS. Madiba	1,546	Jun-20
Councillor H. Mkhize	98,464	Jun-20
Councillor R. Gokool	2,735	Jun-20
Councillor K. Mkhize	4,860	Jun-20
Councillor MS. Mhlongo	8,591	Jun-20
Councillor ES. Khanyile	16	Jun-20
Councillor A. Ngcobo	5,243	Jun-20
Councillor B. Qhantsi	7,408	Jun-20
Councillor S. Mkhwanazi	85	Jun-20
Councillor T. Biyela	21,227	May-20

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillor B. Zulu	26,344	Mar-20
Councillor S. Hlela	23	Mar-20
Councillor MS. Khuzwayo	252	Mar-20
Councillor DM. Shoji	26,769	Mar-20
Councillor AN. Shabalala	1,530	Jun-20
Councillor ZRT. Gumede	1,171	Jun-20
Councillor NB. Iyir	2,761	Jun-20
Councillor MT. Mabaso	852	Jun-20
Councillor MP. Dlomo	41	Jun-20
Councillor AD. Snyman	1,078	Jun-20
Councillor SE. Mhlongo	19,981	Jun-20
	647,559	

June 30, 2019	Amount outstanding (Rands)	Month
Councillor B. Majola	100	Dec-18
Councillor B. Mngwengwe	24	Jun-19
Councillor B. Ndlela	3	Jun-19
Councillor C. Dlamini	4,033	Mar-19
Councillor M. David	1,066	Jun-19
Councillor M. Gwala	860	Jun-19
Councillor M. Mkhize	6,196	Mar-19
Councillor MB. Mjadu	823	Jun-19
Councillor MH. Zwane	3,976	Jun-19
Councillor MM. Mthembu	548	Jun-19
Councillor N. Biyela	327	Jun-19
Councillor PL. Hlengwa	7,961	Jun-19
Councillor R. Cloete	57	Dec-18
Councillor S. Moonsamy	282	Sep-18
Councillor S. Thango	176	Dec-18
Councillor SG. Dlamini	13	Jun-19
Councillor SS. Butelezi	227	Mar-19
Councillor VP. Kaluza	77	Jul-18
Councillor Y. Govender	5,466	Jan-19
Councillor ZD. Gushu	320	Nov-18
	32,535	

48. Comparative figures

Certain comparative figures have been restated (refer note 46 for details).

Notes to the Annual Financial Statements

Figures in Rand thousand

49. Deviation from Supply Chain Management Regulations (SCMR)

Contract awards made in terms of Section 36(1) (Regulation 36 of SCMR) and Section 58 of the Supply Chain Management Policy amounted to R1 887.9million (2019: R504.1million).

Details of the awards are summarised in the tables below:

2020: Categories per SCMR	SCMR reference	Number of cases	% of total	Value (R000's)	% of Rand value
In an emergency	36(1)(a)(i)	42	23.46 %	196,533	10.41 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	9	5.03 %	62,005	3.29 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	1	0.56 %	3,100	0.16 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	112	62.57 %	1,599,561	84.73 %
Deviation from the standard process	58	15	8.38 %	26,672	1.41 %
	-	179	-	1,887,871	-

2019: Categories per SCMR	SCMR reference	Number of cases	% of total	Value (R000's)	% of Rand value
In an emergency	36(1)(a)(i)	3	3.45 %	47,663	9.46 %
If such goods or services are produced or available from a single provider only	36(1)(a)(ii)	20	22.99 %	168,860	33.50 %
For the acquisition of special works of art or historical objects where specifications are difficult to compile	36(1)(a)(iii)	1	1.15 %	22,770	4.52 %
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	36(1)(a)(v)	48	55.17 %	177,699	35.25 %
Deviation from the standard process	58	15	17.24 %	87,069	17.27 %
		87		504,061	

Notes to the Annual Financial Statements

Figures in Rand thousand

50. Financial instruments

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the Municipality's operations.

Financial risk management

The Municipality has exposure to the following risks from its use of Financial Instruments:

- Liquidity risk
- Interest rate risk
- Credit risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risks.

Further quantitative disclosures are included throughout these financial statements.

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities.

As part of managing the Municipality's liquidity risk, promissory notes have been issued to facilitate the timeous repayment of the borrowings. No further terms and conditions are attached to these promissory notes other than the normal repayment terms and conditions of the loan repayment. To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on financial assets and liabilities, eThekwini Municipality plays a focal role in:

- The maintenance of sound liquidity levels such that optimal returns on surplus cash are realized and interest expenses minimized.
- Ensuring that eThekwini Municipality's credit rating is maintained.
- Ensuring sustainable financial viability of eThekwini Municipality by avoiding the occurrence of uncontrolled losses that could arise as a result of exposure in the financial markets with the overall aim of protecting eThekwini's financial position.
- To provide the Council with reasonable assurance that financial risks the Municipality is exposed to are identified and, to the best extent possible, mitigated and controlled.

For each financial year, the Council approves a funding plan that minimizes liquidity risk. Treasury manages both the long-term and medium / short-term cash requirements, with surplus funds from operations of the City invested in short term money market instruments. Long-term liquidity risks arising from capital project initiatives are managed through issuance of long-term loans.

The Municipality, through its training and management standards and procedures, aims to develop a disciplined and constructive environment in which all employees understand their roles and obligations.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

50. Financial instruments (continued)

Carrying amounts:

The carrying amounts of financial assets and liabilities shown in the statement of financial position are as follows:

	30 June 2020	30 June 2019
Investments	3,750,000	5,950,000
Long-term receivables	125,224	133,450
Consumer debtors	6,361,506	5,741,251
Receivables from exchange transactions	2,239,238	2,682,222
Receivables from non-exchange transactions	50,615	57,108
Long-term liabilities	8,367,175	9,419,915
Payables from exchange transactions	7,503,149	6,783,116
Transfers payable from non-exchange transactions	47,785	19,068

Liquidity risk

Liquidity risk is the risk that the Municipality will encounter in raising funds to cover future commitments. The municipality experienced a shortfall of R2bn in the revenue collection for the months of April and May 2020 and a result of the lockdown imposed in response to the covid 19 pandemic. The days cash on hand was directly impacted by the shortfall in the debtor's collection therefore resulting in the municipality utilizing cash reserves to fund the operations. The overdraft facility in place was not utilized. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The following are details of the contractual maturities of financial liabilities:

Nedbank:

Ethekewini Municipality - Primary overdraft	20,000
Ethekewini Municipality - Performance letters of guarantees	164,000
Ethekewini Municipality - Letters of credit	1,500
Ethekewini Municipality - Fleet management	68
Ethekewini Municipality - Secondary overdraft facility	496,000

The total of these facilities amount to 681,568

At June 30, 2020	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	8,367,175	8,367,175	851,433	7,515,742
Trade and other payables	7,550,934	7,550,934	7,550,934	-

At June 30, 2019	Carrying amount	Contractual cash flows	12 months or less	More than 12 months
Borrowings	9,419,915	9,419,915	1,098,628	8,321,287
Trade and other payables	6,802,184	6,802,184	6,802,184	-

At June 30, 2020	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Investments				
• Short-term Investments	3,750,000	-		
• Call deposits	530,000	-		

At June 30, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Investments				
• Short-term Investments	5,950,000	-		
• Call deposits	465,000	-		

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

50. Financial instruments (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and commodity prices will affect the eThekwini Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable risk parameters, while optimizing the eThekwini Municipality's service delivery objectives. GRAP 104 requires entities to disclose sensitivity analysis for each type of market risk as shown in the sections below. Interest rate risk is the main category of market risk which affects the Group.

Interest rate risk

The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus (deficit). All long-term debt is at fixed rates.

In light of the risk associated with covid the municipality also decided against taking the budgeted loan of R1bn and consequently reduced the planned capital spending as projects were halted during the lockdown period. The municipality has budgeted to borrow R1.5bn as disclosed in note 17. The Municipality's income and operating cash are substantially independent of changes in market rates. The Municipality has no significant interest bearing assets.

Cash flow interest rate risk

Counterparty class	Exposure limits	Cash deposits	Medium/short term deposits	Long term deposits
Domestic Banks	16,485,000	530,000	3,750,000	-

Cash flow Sensitivity

Credit quality investments	Long term ratings: AA	Long term ratings: A	Long term ratings: BBB	Short term ratings: A1+	Short term ratings: A1	Short term ratings: A2
Domestic Banks	5	1	1	6	0	1

Valuation of Financial Instruments

Financial institution	30 June 2020	30 June 2019
ABSA	2,100,000	2,150,000
RMB	150,000	-
Nedbank	1,500,000	2,250,000
FNB	-	1,550,000
Total investments	3,750,000	5,950,000

Availability of observable market prices and model inputs reduces the need for management opinion and estimation. This also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions of financial markets.

The Municipality has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function which is independent of front office management and reports to the Risk committee which has overall responsibility of significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of model valuation; a review and approval process for new models and changes to such models; analysis and investigation of significant daily valuation movement and reporting of significant valuation issues to the Funds Risk committee.

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

50. Financial instruments (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. The Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts. The Municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the Municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- reviewing the Municipality's Credit Control Policy annually to ensure that it is updated for current practices that enhance revenue collection.

Long term receivables and other debtors are individually evaluated annually at Statement of Financial Position date for impairment.

The municipality experienced a decline in debtors collection rate due to the lockdown imposed in response to the covid 19 pandemic. In response to the covid 19 pandemic the municipality approved a number of relief programmes to the consumers that impacted on recoverability of debtors.

This resulted in the contribution for debt impairment being R1.7b above budgeted contribution.

The maximum credit and interest risk exposure in respect of the relevant financial instrument is as follows:

Financial instrument	30 June 2020	30 June 2019
Consumer debtors	6,361,506	5,741,251
Receivables from exchange transactions	2,239,238	2,682,222
Receivables from non-exchange transactions	50,615	57,108
Cash and cash equivalents	4,491,438	6,656,248

Contribution to bad debts provisions	30 June 2020	30 June 2019
Consumer debtors	2,059,038	1,026,935
Other (exchange and non-exchange transactions)	737,531	166,321
	2,796,569	1,193,256

The ageing of trade receivables at the reporting date was as follows:

Consumer debtors:	30 June 2020	30 June 2019
Gross		
0 - 30 days	3,313,537	3,220,063
31 - 120 days	1,537,395	1,081,610
More than 120 days	7,606,967	6,851,360
Less: Provision for bad debts	(6,096,393)	(5,411,782)
Net consumer debtors	6,361,506	5,741,251

Movement in the provision for bad debts: Consumers	30 June 2020	30 June 2019
Balance at beginning of year	5,411,782	4,657,024
Contribution	2,059,038	1,026,935
Bad debts written off	(1,374,427)	(272,177)
Balance at year end	6,096,393	5,411,782

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

50. Financial instruments (continued)

Movement in the provision for Bad Debts: Other (exchange and non-exchange transactions)	30 June 2020	30 June 2019
Balance at beginning of year	4,247,884	4,771,793
Contribution	737,531	166,321
Bad debts written off	(252,090)	(586,583)
Accounting estimate changes	6,943	(103,647)
Balance at year end	4,740,268	4,247,884

Notes to the Annual Financial StatementsFigures in Rand thousand

51. Material losses**Water:**

The Water Design and Non-Revenue Water (WDNRW) Branch is responsible for monitoring the Non-Revenue Water (NRW) situation at eThekwini Water and Sanitation (EWS) and reporting thereon, providing strategic direction for the Unit to reduce losses as well as implementing a number of programmes to reduce losses on a wide scale. These various initiatives and targets are as per the adopted Water Conservation Water Demand Management (WCWDM) 10 year strategic plan and these initiatives are being executed by the WDNRW, Water Operations, Customer Services and Auxiliary Services departments collectively. The key initiatives undertaken impact the reduction of NRW by either promoting the increase of the Billed Metered Consumptions or the reduction of the System input volume. The primary objective of the NRW reduction activities is to reduce the NRW levels to a targeted and sustained value of 25% by volume (420 litres/connection/day total water losses).

The key results for the year to date are:

- The total bulk water System Input Volume for the 2019/20 FY was 991.9 ML/day, which showed an increase of 5.7% when compared to the similar period of 2018/19 FY which was an average of 938.2 ML/day.
- There was a decrease of 31 % in the volume of water produced by eThekwini Water's internal water treatment plants from 4.3 ML/day in 2018/2019 FY to 3 ML/day in the 2019/2020 FY. Production capacity across the plants had significantly decreased as a result of numerous challenges. These include the plant upgrades to sand filters and poly dosing systems, plants going offline due to silting up of the raw water supply dam and delays with chemical and M&E contracts regarding the tender process.
- There was a decrease of 21.8 % in the recorded Consumer Sales volume of water on RMS, from the reconciled average of 592.47 ML/day in 2018/2019 FY to 485.86 ML/day in the 2019/2020 FY.
- Percentage NRW by Volume for the FY closed at 51.08%, which showed a significant increase of 14.23% from the reconciled closing figure of 36.85% in the 2018/19 FY.

Water losses of 185,186,257kl (2018/19: 130,120,727 kl/yr.) occurred during the FY under review, which resulted in revenue losses to the municipality. The estimated water losses amounting to R1,721,6m (2017/2018: R998.4m) were due mainly to losses as a result of ageing and deteriorating infrastructure, decreasing sales volumes as well as illegal connections.

There was a significant decrease of 21.8% in the recorded Consumer Sales and 5.7% increase in purchase volumes when compared to the same period in the previous financial year. The impact of COVID19 is considered to be one of the major contributors for poor performance of the Unit during this financial year as WC/WDM initiatives were constrained during lockdown. Programmes and initiatives were also hindered owing to some serious challenges being experienced such as limited/constrained operational budget, security concerns of staff responding to bursts and leaks in perceived volatile areas, the non-availability of resources (plant, materials and labour) to complete backfilling on jobs/respond to leaks and bursts. These hinderances has collectively impacted negatively on the performance of the Unit during this financial year.

In line with the current WCWDM Strategic Plan, EWS is implementing a number of initiatives, the highlights of which for the period under review is as follows:

1. During the period 1980 Pressure Reducing Valves (PRV's) were maintained to ensure that it operated at its designed minimum pressure setting. There was however a delay in the installation of new PRV's as a result of the key supply contracts for control valves being delayed as a result of escalation adjustment requiring approval from the Bid Committee.
2. The Leak Detection and Repair Strategy has been halted due to non-availability of contract plumbers due to operational budget limitation and thus resulted a total of only 1002 leaks being repaired under the pro-active program.
3. The programme for the installation of meters in the Rural Areas (ITB land) was executed with a total of 853 (which were all applications received) out of a targeted 2040 (planned) meters been installed.
4. In terms of the programme for meter replacement for domestic consumers a total of 4340 out of a target of 2268 (planned) has been achieved.

Notes to the Annual Financial Statements

Figures in Rand thousand

5. The program for the replacement of Institutional, Commercial and Industrial (ICI) meters was successfully executed with a total of 360 out of the targeted 360 meters been achieved. All work was carried out in-house.

Electricity:

Estimated Electricity losses 811 471 031 kWh (June 2019: 714 829 464 kWh) occurred during the period under review which resulted in revenue losses to the municipality. These estimated kWh losses amounted to R 762 M (June 2019: R576 M). The national norm for electricity losses ranges from 5% to 12%. The loss incurred by the municipality is 7.70% (June 2019: 6.48%) and is due to a combination of transmission/distribution losses and losses due to illegal connections.

Bad Debts written off:

Debt of R1 626.5million (2019: R858.8million) was written off during the year. The write-off is in respect of irrecoverable debts which relate to rates, water, housing and sundry debts. The Municipality took steps to write-off this debt which is considered irrecoverable so that efforts can be focused on the debt that can still be recovered.

Included in the bad debts written off figure is an amount of R109.4million (2019: R378.7million) relating to traffic fines following a directive issued by the National Prosecuting Authority to withdraw traffic fines in respect of summons not served within eighteen months from the dates of the offence and withdrawal of warrants not executed within two years from date of issue.

eThekweni Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

52. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Irregular expenditure reported during the 2019/20 year:	30 June 2020	30 June 2019
Irregular expenditure arising through finalised investigations - CIU	12,544	96,377
Inappropriate use of regulation 36 - Internal Audit	2,921	-
Non-compliance with S.C.M. - various: This expenditure is deemed to be irregular due to Public Tender Process not being adhered to, 3 quotations not being obtained and adverts not being adequately advertised.	231,380	1,579,600
Non-compliance with MFMA - Section 116	425,502	575,664
Non-compliance with MFMA - Section 32	11,067	41,139
Non-compliance with MFMA - Section 112	-	10,750
Non-compliance with MFMA - Section 110	-	20,897
Awards made to entities whose directors / members / principal shareholders / stakeholders were in the service of eThekweni Municipality	392	-
Awards made to entities whose directors / members / principal shareholders / stakeholders were close family members of persons in the service of eThekweni Municipality	889	-
Non-compliance with S.C.M. Policy - Section 17(1)(a) and 18(1)(a)	805	782
Awards made entities whose directors / members / principal shareholders / stakeholders were in the service of other State institutions	12,917	16,091
Awards made to suppliers in which Councillors have an interest	751	57
Non-compliance with S.C.M - Procurement deviations	135,962	-

Investigations are still in progress regarding 648 cases (2019: 717 cases). 570 cases were completed during the 2019/20 financial year (2018/19: 406).

Irregular expenditure reconciliation	30 June 2020	30 June 2019
Opening balance	2,996,654	1,283,284
Irregular expenditure current period	822,586	1,258,310
Prior year irregular expenditure arising through finalised investigations / non-compliance	-	986,670
Irregular expenditure arising from finalised investigations	12,544	96,377
Amount certified as irrecoverable by Council	(555,638)	(627,987)
Irregular expenditure awaiting write-off / recovery.	3,276,146	2,996,654

A number of interventions have been introduced to improve monitoring controls in Supply Chain Management and the bid process prior to the awarding of contracts to service providers.

Irregular expenditure amounting to R80,5million has been recommended for recovery by Council. This amount is included as a contingent asset (refer note 44).

Fruitless and Wasteful expenditure reconciliation	30 June 2020	30 June 2019
Opening balance	33,560	29,496
Fruitless and Wasteful expenditure	5,107	4,064
	38,667	33,560

The fruitless and wasteful expenditure relates to interest on late payments, penalties, breach of contract, settlements and vehicle damages not claimed from Insurance.

Unauthorised expenditure reconciliation	30 June 2020	30 June 2019
Non-cash: Debt impairment	1,724,283	-
Non-cash: Depreciation and asset impairment	27,567	-
Non-cash: Finance charges (unwinding of landfill charges on landfill sites provision)	26,922	-
	1,778,772	-

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

53. Bank balances

Account number - bank - account	Cash book balance	Bank statement balance	Cash book balance	Bank statement balance
Description	June 30, 2020	June 30, 2020	June 30, 2019	June 30, 2019
1107821231 Nedbank -Main Expenditure	151,064	(815,883)	293,158	(405,717)
1107821010 - Nedbank - Main Expenditure EFT	(998)	(2,096,684)	366	(2,311,894)
1107821061 - Nedbank - Direct Deposit Account	17,170	236,235	4,117	54,470
1107821126 - Nedbank - Electronic Deposit Account	152,814	217,836	49,326	1,309,168
1107821134 - Nedbank - Cashiers Deposit Account	94,929	1,779,555	(17,289)	119,609
1107821002 - Nedbank - Government Deposit Account	159,232	1,344,024	16,270	316,976
1107821398 - Nedbank - Electricity Income Account	3,064	4,527	1,189	5,873
1107821401 - Nedbank - Electricity Prepaid Vendor Deposits	(1)	83,390	(453)	211,918
1107821304 - Nedbank - SARS E-Filing Account	-	110,618	-	(1)
1107821282 - Nedbank - Dishonoured Cheques Account	(11)	(759)	(624)	(969)
1107821088 - Nedbank - Direct Debit Collections Account	(114)	(2,450)	(19)	99,898
1107821096 - Nedbank - Transwitch Deposit Account	-	22,598	(2,824)	55,538
1107821118 - Nedbank - Agents Deposit Account	(11,899)	61,616	9,569	85,797
1107821169 - Nedbank - Metro Police Deposit Account	803	3,344	283	6,952
1107821150 - Nedbank - Metro Police Transwitch Deposit Account	-	40	-	261
1107821177 - Nedbank - Parks, Recreation and Culture Deposit Acc.	8	2,270	-	2,499
1107821185 - Nedbank - City Engineers Account	(103,319)	(102,081)	2,249	4,675
1107821193 - Nedbank - Durban Tourism Deposit Account	-	55	-	96
1107821347 - Nedbank - Central Foreign Rand Account	-	(787)	-	(2,050)
1107821207 - Nedbank - Virginia Airport Account	(1)	71	-	517
1107821215 - Nedbank - Department of Housing Account	-	-	-	68
1107821290 - Nedbank - Wages Sundry PAYE Account	247	247	(144,495)	(144,495)
1107821312 - Nedbank - Cash Payments Account	(4)	(213)	-	(501)
1107821266 - Nedbank - Refunds Expenditure Account	-	-	-	(20)
1107821029 - Nedbank - Salaries Account	106,734	(629,156)	96,120	(591,652)
1107821371 - Nedbank - Durban Fresh Produce Market Account	28,495	28,464	28,738	28,711
1107821320 - Nedbank - General Bank Account	(398,053)	(198,065)	(115,282)	1,151,278
1107821487 - Nedbank - E- Ticketing Account	(652)	2,186	(376)	2,877
1107821274 - Nedbank - Bank Charges Account	(33)	(33)	769	(41)
1107821223 - Nedbank - Moses Mabhida Stadium Deposit Account	-	315	-	1,241
1107821460 - Nedbank - Pay at Deposit Account	(6,762)	140,995	(19,069)	199,833
1107821444 - Nedbank - Consolidated Investment Fund	-	-	(3)	(3)
1107821452 Nedbank - Consolidated Investment Fund (EFT)	1	(1)	3	2
1107821479 - Nedbank - Syntell Deposit Account	10	12	-	57
1107821517 - Nedbank - E-Services Account	4	638	-	504

eThekwini Municipality

Annual Financial Statements for the year ended June 30, 2020

Notes to the Annual Financial Statements

Figures in Rand thousand

53. Bank balances (continued)

1107821509 - Nedbank - Reforestation Project Account	4,303	4,303	4,069	4,069
1107821495 - Nedbank - Auctions Account	-	-	2	2
1107821525 - Nedbank - Covid-19 Donation Account	50	309	-	-
Totals: eThekwini Municipality				
Bank balances	718,928	4,043,648	506,228	3,662,889
Bank overdraft	(521,847)	(3,846,112)	(300,434)	(3,457,343)

The following accounts had nil balances or balances less than R100 at financial year ends and were therefore excluded from the listing above:

1107821053 - Nedbank - Durban Fresh Produce Market EFT; 1107821339 - Nedbank - DMTN Bonds Account; 1107821533 - Nedbank - ETK Tertiary Student Relief Account.

Bank balances are disclosed on a net basis based on the set-off agreement with Nedbank. The intention of the agreement is to set-off favourable and unfavourable bank balances and as a result interest is calculated on a net basis.

The Municipality operates on a Cash Management set-off agreement with Nedbank. This means that although the individual expenditure accounts would run in overdraft on a daily basis (due to ongoing payments to suppliers, employees, refunds etc.), the overall cash flow position is based on the daily net balance of all the bank accounts. This profile with the bank is called "notional pooling" which enables the bank to aggregate the daily balances of all the bank accounts (which is always favourable). Due to extremely high volumes of transactions processed through the various bank accounts, it is necessary to operate multiple bank accounts which allows for ease of reconciliations. Bank accounts are reconciled daily with all funds for the month being swept just after month end into the main eThekwini bank account. This process of sweeping is controlled via the bank reconciliation process via online bank transfers.

54. Events after the reporting date

Burnt Municipal assets:

The municipality's Sizakala building and 3 municipal vehicles were burnt during a community service delivery protest at Lamontville on 20 July 2020. The costs of the damage is estimated at R332 000.

Two municipal buses burnt due to possible mechanical failures in September 2020 and 1 bus was also burnt during a community service delivery protest in Springfield on 12 October 2020. The costs of these are current being assessed.

There was a fire at Buffelsdraai landfill site in September due to an arson attack. The costs of repairing the waste areas on fire is estimated at R1.8m.

Notes to the Annual Financial Statements

Figures in Rand thousand

55. Budget disclosure**Differences between budget and actual amounts basis of preparation and presentation**

Variances above 20% are considered material. The following are reasons provided for material variances:

Debt impairment:

The average collection rate of 87.17% is lower when compared to the same period in the previous year (91.9%). This deterioration is due to the high unemployment rate and further compounded by the loss of income of customers because of the COVID-19 pandemic. The pandemic resulted in President announcing and enforcing the hardest lockdown for the country which started on the 27th of March 2020. Most industries, organisations and businesses had to shut down during the period of lockdown. In response to the pandemic the City also suspended some credit control strategies like disconnection of services.

The City resumed some revenue collections under level 4 which was in May 2020 and although the City has seen a steady improvement on the collection rate for the months May and June, the Economic shutdowns due to COVID 19 has caused turmoil in the financial markets as many large and small corporates face severe weakening of balance sheets or closure.

Budget policy is aligned with GRAP in terms of disclosure.

Operational grants for the year were R4.2billion and capital grants were R2.6billion

A comparison of the budget and actual information has been disclosed in the Appropriation Statement and not in columnar format as required due to the classification as per budget regulations as prescribed by National Treasury differing to the GRAP disclosure requirements.

An adjustments budget is the mechanism to amend an approved budget under certain conditions and is legislated in terms of Section 28 of the MFMA of 2003 and the Municipal Budgeting and Reporting Regulations. The main reasons for the adjustments to the budget are as follows:

- reallocation of budgets between votes to ensure operational efficiencies,
- adjustments in respect of grant funding to the Municipality, and,
- re-prioritisation of capital projects for various reasons.

Notes to the Annual Financial Statements

Figures in Rand thousand

56. Covid related expenditure

The following table highlights the amounts spent per category on Covid related expenditure:

Operating expenditure:	
Employee related costs	88,111
Building contractors	38,535
Poverty relief	74,876
Grant in aid	42,658
Hire charges	63,598
Consumables	24,504
General expenses	18,398
Medical requisites	14,297
External security	8,733
Cleaning materials	7,426
Uniforms and protective clothing	6,081
Contracted services	5,197
Capital expenditure:	
Inventory	21,117
Computer equipment	14,962
Covid protective screens	14,583
Static water tanks	7,370
Water dispensers	1,599
	452,045
	-

In addition to the above the City has approved the following relief packages to the residents as well as business that have been unable to operate since the COVID-19 lockdown:

-no interest will be charged on arrear accounts during the lockdown period

-no credit control in the form of disconnection of services will be conducted during the lockdown period.

-special COVID-19 interest relief to customers who pay 50% of their arrear bill on or the 30 June 2020. This will entail the write-off of all accrued interest on the bill of that customer. The relief is only for customers with debt of 90 days and older. The Municipality will enter into a payment plan with all customers taking part in this relief scheme as for the balance of the outstanding debt over a maximum period of 24 months. The relief scheme is for the period up to 30 June 2020

-special rates relief granted to bed and breakfasts and guesthouse, to ensure their sustainability until the COVID-19 lockdown is relaxed to an Alert Level 3 Determination or a lower Determination

-a 6 months rental holiday for tenants at Moses Mabhida Stadium effective from 1 April 2020 to September 2020. The rental relief package exclude any monies owed to the Stadium prior to the COVID-19 lockdown period; and is subject to settling the account within the contractual period or payment arrangement plan not exceeding 24 months

-a rental holiday for Informal Traders and Retail Markets effective from 1 April 2020 to 30 September 2020

-a waiver of business license payments for all types of license applications and also rescinded the decision to implement a 5% increment for the financial year 2020/2021.

-grant in aid amount to R43 million was disbursed to Durban Theme Park to ensure that it continues to function as a going concern.

-rental reduction of 50% was granted to all distressed tenants occupying municipal properties from 27 March 2020 to 30 June 2020 or to the date the tenant resumes trading whichever comes sooner. This relief is was made available to market related rentals, to tenants whose accounts were in good standing on 29 February 2020, to tenants had to undertake not to retrench staff during the relief period and the rental to which the relief applies excluded rates and taxes and other cost recoveries that the tenants are liable for in terms of the lease agreements.

Notes to the Annual Financial StatementsFigures in Rand thousand

56. Covid related expenditure (continued)

-a further interest free deferment of rental payable over 6 to 9 months from 1 July 2020 was also made available to the tenants occupying municipal properties subject to the same limiting conditions as were applicable on the rental reduction.

57. Transitional provisions

GRAP 108: Statutory receivables became effective in the current financial year. The Standard defines statutory receivables as receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The municipality has two classes of receivables that meet the criteria of statutory receivables, being property rates which are levied in terms of the Municipal Property Rates Act and traffic fines imposed in terms of the Criminal Procedure Act.

Property rates are currently disclosed as part of consumer debtors in Note 7, whereas traffic fines are disclosed as receivables from non-exchange transactions in Note 5. These statutory receivables are initially and subsequently measured using the principles of GRAP 104: Financial instruments, which are consistent in all material respects with the measurement principles in GRAP 108.

The accounting policy on debtors has not been changed in respect of the classification and measurement of statutory receivables since the municipality has opted to apply the transitional provisions of Directive 3 in terms of not changing the classification and measurement of the debtors while the full implications of compliance with GRAP 108 is still under review.

There are currently no statutory receivables classified and measured in accordance with GRAP 108. The impact of complying with GRAP 108 will be on the classification of debtors since statutory receivables will be disclosed separately on the financial statements. The measurement basis is considered appropriate.

The municipality has developed an accounting policy for statutory receivables, which is subject to approval by Council and will be implemented during the 2020/21 financial year after having reviewed the impact of the classification, measurement and disclosure in terms of the information currently provided to the various stakeholders.

58. Accounting by principals and agents

Principal-agent arrangements relate to binding arrangements in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal). The following arrangement meets the criterion for such arrangements:

Durban Point Precinct:

Durban Point Development Company (Pty) LTD (DPDC) entered into a Development Framework Agreement with the municipality undertaking to work together to promote the development of the Point Precinct for the mutual benefit of both parties and the ratepayers of the City. In terms of this arrangement, the municipality is responsible for providing at its cost the infrastructure and basic services to the Point Precinct. The parties agreed that DPDC be appointed as the implementing agent at no cost to the municipality in respect to the construction works and the project management thereof, with the cost including the design fees, the procurement of the various reports from professions and the actual construction costs. This was all in an attempt to fast-track the development within the Point Precinct using a system that is fair, equitable, transparent, cost-effective and competitive.

The municipality is a principal in terms of this arrangement, which is explicit in the Development Framework Agreement, with no judgement applied in making this assessment. The municipality is responsible for making payments to DPDC on receipt of invoices for work performed. Any disputes between the parties are referred to arbitration. There have been no changes in the current reporting period in terms of the significant terms and conditions of the arrangement.

Notes to the Annual Financial StatementsFigures in Rand thousand

58. Accounting by principals and agents (continued)

Expenditure incurred on behalf of the municipality relating to the Point Precinct project amounted to R 129.79million (2019: R 182.45million), with spending to date of R435.13million and remaining commitment of R189.83million. The expenditure has been recognised as work-in-progress by the municipality based on the period in which it relates to. All payments due relating to the expenditure incurred by DPDC have been paid. There are no resources under the custodianship of DPDC, costs recognised by DPDC nor any resources to be remitted to the municipality.

In the event that this arrangement would be terminated, the project would be stalled due to the procurement processes that the municipality would need to follow, also resulting in the potential escalation of costs due to price increases over the extended period.

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources have been recognised/have not been recognised by the agent in its financial statements. [Choose as appropriate]

The remittance of resources during the period [State details].

The expected timing of remittance of remaining resources by the agent to the entity, are [State timing and details].

The expected timing of remittance of remaining resources by the agent to third parties, are [State timing and details].

Resource or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

Fee paid**Resource and/or cost implications for the entity if the principal-agent arrangement is terminated**

The resource and/or cost implications for the entity if the principal-agent arrangement is terminated, are [State information/discussion].

[Provide additional info as appropriate]

59. Going concern

Overall assessment:

The Corona virus pandemic has had an impact on cash flows, cash collections, capital and operating expenditure due to the National lockdown. This has also resulted in consumers defaulting on paying municipal accounts due to a reduction in their disposable income, retrenchments and unemployment.

To mitigate against this risk, the municipality has devised an economic recovery plan aimed at creating employment opportunities and provide relief to consumers in order to ensure that consumers are up to date with their municipal accounts. This has resulted in an increase in the cash collection rate from the date in which the National Disaster was declared, with the collection rate being 90.3% as reported on the September 2020 Budget Statement.

Amid the current economic conditions, the municipality is still able to pay its creditors as and when payments are due and still maintains a healthy financial position.

Staging of capital budget:

The municipality has also reprioritised its budget through a staging process. This has resulted in certain expenditure items being deferred until key financial/performance milestones are met, such as:

- improvement in collection rate,
- increase in revenue and

Notes to the Annual Financial Statements

Figures in Rand thousand

59. Going concern (continued)

- decrease in operational expenditure

Various committees have been formed to deal with major expenditure items, including the approval and budget allocation for these items. This is to ensure that:

- the budget is cash backed,
- there is focus on cost containment,
- there is focus on essential service delivery, and
- the budget is realistic considering the current economic conditions.

Cuts on operating budget:

In order to ensure that the operating budget is realistic and affordable, the municipality has cut its operating budget through implementing cost containment and deferment measures on the following items:

- employee related costs
- security
- eventing
- consultants
- gifts and promotional items
- travelling and accommodation
- EPWP
- seminars and training

Conclusion:

Based on the above the municipality will continue operating in the foreseeable future, thus supporting the going concern basis of accounting.

NOTE 60: EXTERNAL LOANS FOR YEAR ENDED 30 JUNE 2020

DESCRIPTION	%	LOAN No.	DATE REPAYABLE	BALANCE AT 30-Jun-19 R 000's	RECEIVED DURING THE PERIOD R 000's	INTEREST ACCRUED DURING THE PERIOD R 000's	REDEEMED DURING THE PERIOD R 000's	BALANCE AT 30-Jun-20 R 000's
INCA/IVUZI 15 Years	9.52%	1/66	6/30/2020	59,047	0	0	-59,047	0
Nedbank R900m 15 Years	8.47%	1/67	3/31/2021	195,343	2,105	0	-95,711	101,736
DBSA Ph 1 20 Years	13.50%	P1	3/31/2019	0	0	0	0	0
DBSA Ph 3 15 Years	12.90%	P3	3/31/2018	0	0	0	0	0
DBSA Ph 4 15 Years	10.40%	P4	6/30/2019	37,620	0	0	-37,620	0
DBSA Ph 5 15 Years	8.90%	P5	9/30/2020	51,507	389	0	-33,972	17,924
DBSA Ph 6 15 Years	8.75%	P6	6/30/2022	299,126	0	0	-124,908	174,218
DBSA Ph 7 20 Years	8.30%	P7	6/30/2028	2,027,848	0	0	-297,314	1,730,534
DBSA Ph 8 15 Years	9.85%	P8	6/30/2029	1,213,406	0	0	-75,562	1,137,844
DBSA - IIPSA 50%	11.31%	IIPSA	12/31/2031	291,847	0	0	-23,514	268,333
RMB R 1b 15 Years	10.28%	1/72	6/30/2025	581,254	0	0	-74,366	506,888
ABSA 7 Years	8.73%	1/73	9/29/2017	0	0	0	0	0
ABSA 15 Years	10.19%	1/74	6/30/2026	647,088	0	0	-67,151	579,938
AFD Calyon 12 Years	9.52%	1/68	12/31/2018	0	0	0	0	0
RMB R1B 20 Years	9.53%	1/75	6/30/2032	831,179	0	0	-34,576	796,603
NEDBANK R1bn 15 YEARS	10.58%	1/76	6/30/2030	862,164	237	0	-44,471	817,929
AFD - IIPSA 50%	11.31%	IIPSA	11/30/2031	294,378	2,494	0	-26,045	270,828
NEDBANK 2018 NEW LOAN	10.22%		7/31/2033	1,027,290	40,590	0	-73,568	994,311
NEDBANK 2019 NEW LOAN	9.97%		6/28/2034	1,000,819	530	0	-31,259	970,090
Total Annuity Loans				9,419,915	0	46,345	-1,099,086	8,367,175
TOTAL EXTERNAL LOANS				9,419,915	0	46,345	-1,099,086	8,367,175

Legend:

N1 A portion of the R814,634 balance outstanding from the RMB R1bn 20 years loan was ceded to Sanlam Life Insurance Limited for an amount of R672,633 in April 2019.

NOTE 61: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

Details	Cost				Accumulated				Carrying Value R'000
	Opening Balance R'000	Opening Under Construction R'000	Additions R'000	Under Construction R'000	Disposals R'000	Transfers R'000	Closing Balance R'000	Transfers R'000	Closing Balance R'000
Computer Equipment	1,111,926	1,011	99,366	4,723	(6,495)	963	1,211,492	—	(84)
Furniture & Office Equipment	412,419	—	32,349	86	(3,273)	25	441,605	—	(184)
Infrastructure Community	10,130,951	451,219	420,122	158,860	(11)	(3)	11,161,138	—	154
Infrastructure Coastal	102,498	250,323	258,274	(228,660)	—	—	(2,964,260)	(194)	1
Infrastructure Electricity	8,406,508	1,394,028	222,554	202,527	—	—	586,173	—	—
Infrastructure Info & Communic	246,019	5,191	22,623	64,107	(522)	—	(3,419,968)	(8,883)	—
Infrastructure Other Assets	3,907,940	752,183	208,733	80,835	(3,318)	—	(121,134)	—	—
Infrastructure Roads	16,559,211	1,966,847	380,352	907,110	—	5	(1,361,846)	491	(142,599)
Infrastructure Sanitation	8,057,234	1,084,147	53,540	461,819	—	—	(5,457,719)	2,611	(1,494,858)
Infrastructure Storm Water	2,463,524	116,124	95,953	58,078	—	—	(1,487,291)	—	(6,035,189)
Infrastructure Solid Waste	408,526	97,958	16,664	(12,149)	—	—	(1,197,123)	—	(1,732,708)
Infrastructure Water Supply	6,306,155	2,360,758	1,366,217	(1,052,847)	—	—	(209,677)	—	(1,269,031)
Land - Electricity	133,516	677,719	—	—	—	—	(1,216,059)	—	(217,042)
Library Material	193,425	—	—	—	—	—	—	—	(1,355,948)
Machinery & Equipment	2,018,751	34,373	87,406	(1,023)	(1,147)	(120)	(159,055)	—	—
Non Biological Animals	556	—	—	—	—	—	(1,465,349)	1,144	(168,775)
Transport Assets	3,737,756	8,886	485,086	—	(22,861)	—	(556)	—	(1,617,236)
							(2,777,365)	22,067	(556)
Total	64,196,915	9,200,766	3,749,240	643,465	(37,627)	869	(22,399,512)	(16,017)	(24,784,411)
								34,552	52,969,217

NOTE 62: ANALYSIS OF INTANGIBLE ASSETS

	Cost					Accumulated Depreciation					Carrying Value			
	Opening Balance Cost	Opening Balance Capital Under Construction	Additions	Under Construction	Disposals	Transfers	Closing Balance	Opening Balance	Additions	Disposals		Impairments	Transfers	Closing Balance
Servitudes	R'000	59,716	358	R'000	R'000	0	0	59,716	0	0	0	0	0	59,716
RMS		698,640	0	0	0	0	0	698,640	(437,034)	0	0	0	0	132,402
Computer Software		944,111	84,167	48,770	88,746	0	-869	1,164,925	(656,463)	(106,813)	0	0	(9)	401,641
Total		1,702,467	84,525	48,770	88,389	-	(369)	1,923,281	(1,093,497)	(236,016)	-	-	(9)	593,760

ETHEKWINI MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS ON WORK IN PROGRESS TAKING SIGNIFICANTLY LONGER TO COMPLETE AND HALTED PROJECT
FOR THE YEAR ENDED 30 JUNE 2020

Note 63: Disclosures in terms of projects taking significantly longer to complete and those that are halted:

PROJECT NUMBER	DESCRIPTION OF PROJECT	ASSET CATEGORY	HALTED/TAKING SIGNIFICANTLY LONGER TO COMPLETE	REASON	CARRYING VALUE (R'000)
X4368	ALVERSTONE TRUNK - FRASER RESERVOIR	Water Supply Infrastructure	Significantly taking longer to complete	Delays due to land expropriation that needed to be finalised and re-advertisement of tender	6,833
X6513	MERCURY CRESCENT / OLD RICHMOND ROAD	Water Supply Infrastructure	Halted	Delays due to community protests/unrest	30
X6518	MERCURY CRESCENT , PINETOWN	Water Supply Infrastructure	Halted	Delays due to community protests/unrest	178
X5025	KWASONDELA WATER PROJECT	Water Supply Infrastructure	Halted	Delays due to community protests/unrest	993
X5200	MINAMATHA W&S (WATER)	Water Supply Infrastructure	Halted	Delays due to community protests/unrest	60
H3079	Donnelly Road	Other Assets	Significantly taking longer to complete	Delays in the approval funding for the project	2,046
H3091	Bayview (CRU)	Other Assets	Significantly taking longer to complete	Delays in the identification and approval of appropriate site for the project	2,920
S3061	CORNUBIA RETAIL FACILITY	Community Assets	Halted	Contract expired and in process of re-appointment	611
S3070	DALTON HOSTEL	Community Assets	Halted	Contract expired and in process of re-appointment	11,712
S3072	Klaarwater	Community Assets	Halted	Contract expired and in process of re-appointment	3,766
S3102	Kwamashu Hostel Bus Hive	Community Assets	Halted	Contract expired and in process of re-appointment	8,525
S3068AZ1	Kwamashu Hostel Business	Community Assets	Halted	Contract expired and in process of re-appointment	6,507
C2436	Bovine Head	Community Assets	Halted	Budget shortfall	555
G1010	ARCHIVE STORAGE WAREHOUSE	Other Assets	Significantly taking longer to complete	Delays in appointment of consultant	2,788
G1002	WHEELCHAIR RAMPS	Other Assets	Significantly taking longer to complete	Delays in appointment of consultant	81
C2285	COUNCIL CHAMBER	Other Assets	Significantly taking longer to complete	Site location pending	400
MV010	MV/LV Distribution Automation	Electrical Infrastructure	Taking significantly longer to complete	Delays in procurement of equipment and failure of remote control server	8,732
MV036	OUTAGE MANAGEMENT SYSTEM	Electrical Infrastructure	Taking significantly longer to complete	Delays due to advice sought from Legal and SCM department in terms of continuation of project	1,373
CN021	Distribution Automation	Electrical Infrastructure	Taking significantly longer to complete	Delays in procurement of equipment	7,365

ETHEKWINI MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS ON WORK IN PROGRESS TAKING SIGNIFICANTLY LONGER TO COMPLETE AND HALTED PROJECT
FOR THE YEAR ENDED 30 JUNE 2020

Note 63: Disclosures in terms of projects taking significantly longer to complete and those that are halted:

PROJECT NUMBER	DESCRIPTION OF PROJECT	ASSET CATEGORY	HALTED/TAKING SIGNIFICANTLY LONGER TO COMPLETE	REASON	CARRYING VALUE (R'000)
HV060TR	Addington 132/11kv Substa	Electrical Infrastructure	Taking significantly longer to complete	Delayed by secondary cable installation awaiting commissioning	3
HV045	La Mercy Substation	Electrical Infrastructure	Taking significantly longer to complete	Delayed by secondary cable installation and currently awaiting installation of cameras due to theft of copper	1,127
HV016	KE Masinga Substation	Electrical Infrastructure	Taking significantly longer to complete	Awaiting contract award	29,119
HV100CA	Umdloti Beach Transformer	Electrical Infrastructure	Taking significantly longer to complete	Due to theft of copper needing to be replaced	6,222
HV099TR	Clermont substation	Electrical Infrastructure	Taking significantly longer to complete	Due to theft of copper needing to be replaced	7,259
C1893	CSA1893: NEW CENTRAL LIBR	Community Assets	Taking significantly longer to complete	Project delayed due to cancelled procurement process. Legal processes underway	14,213
C2486	CSA2486: INANDA-NEW SWIMM	Community Assets	Taking significantly longer to complete	Termination of initial contract, re-packaging for re-tender. Project on going	18,606
C2768	CSA2768:FREDVILLE INCHANG	Community Assets	Taking significantly longer to complete	This was professional fees, project is on hold due to MOU	200
N1134	Inanda Swimming Pool	Community Assets	Taking significantly longer to complete	Termination of contract, re-packaging for re-tender.	391
N1991	Umdloti Lifeguard Tower	Community Assets	Taking significantly longer to complete	Project on hold, Environmental Impact Assessments and Water Use License Applications required.	171
N2212	Vulamehlo	Community Assets	Taking significantly longer to complete	Project on hold due to land ownership issues. Professional fees claimed	2,255
C1893H	C1893H:NEW CENTRAL LIBRAR	Community Assets	Taking significantly longer to complete	Project delayed due to cancelled procurement process. Legal processes underway	135
N1722A	Mxenge Museum	Community Assets	Taking significantly longer to complete	Project on hold due to ownership issues, professional fees claimed	66
N1935A	Mpumalanga Heritage Centr	Community Assets	Taking significantly longer to complete	Project on hold, land lease issue to be resolved	323
N1935B	Mpumalanga Heritage Centr	Community Assets	Taking significantly longer to complete	Project on hold, land lease issue to be resolved	35
N155721	Randles Road Nursery	Community Assets	Taking significantly longer to complete	Project on hold, professional fees claimed	19

ETHEKWINI MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS ON WORK IN PROGRESS TAKING SIGNIFICANTLY LONGER TO COMPLETE AND HALTED PROJECT
FOR THE YEAR ENDED 30 JUNE 2020

Note 63: Disclosures in terms of projects taking significantly longer to complete and those that are halted:

PROJECT NUMBER	DESCRIPTION OF PROJECT	ASSET CATEGORY	HALTED/TAKING SIGNIFICANTLY LONGER TO COMPLETE	REASON	CARRYING VALUE (R'000)
N2200	Umnini Sportsfield	Community Assets	Taking significantly longer to complete	Professional fees for costing and packaging upgrade of sportfield and ablation facilities. Delayed due to land ownership issues	205
Total					145,824

The Corona virus pandemic resulted in many projects being halted during the National lockdown. The relaxation of the lockdown regulations has resulted in the projects resuming.

112

APPENDIX A: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

COST															
	Restated	Restated	Opening WIP	Additions	Under Construction	Disposals	Transfers	Closing Balance	Accumulated Depreciation						Carrying Value
									Opening Balance	Additions	Disposals	Impairments	Transfers	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Vote 6 - Corporate and Human Resources	53,705	3,273	2,977	1,271	(614)	985	61,597	(25,588)	(5,967)	581	—	(432)	(31,406)	30,192	
	799	—	36	—	—	29	864	(511)	(73)	—	—	(5)	(589)	275	
	40,345	2,282	1,257	727	(226)	750	45,134	(18,465)	(4,331)	220	—	(402)	(22,978)	22,156	
	4,686	411	1,103	571	(13)	79	6,837	(2,201)	(653)	13	—	(2)	(2,843)	3,994	
	2,558	182	292	(55)	(105)	66	2,939	(1,315)	(357)	84	—	(12)	(1,600)	1,338	
	5,316	398	290	28	(269)	61	5,824	(3,095)	(553)	264	—	(11)	(3,395)	2,429	
Vote 7 - Economic Development & Planning	2,071,555	726,536	467,605	(101,425)	(642)	2,410	3,166,038	(616,728)	(84,312)	633	(159)	(1,814)	(702,381)	2,463,658	
	8,198	(3)	18	(1,910)	—	(1,910)	6,303	(315)	(44)	—	—	380	21	6,324	
	924,052	348,926	86,925	80,563	—	(475)	1,439,991	(214,802)	(29,396)	—	—	378	(243,821)	1,196,171	
	4,937	—	—	4,937	—	—	4,937	(4,931)	(7)	—	—	—	(4,937)	—	
	185,936	61,264	13,793	13,757	(0)	1,927	276,676	(75,030)	(5,918)	0	—	(385)	(81,333)	195,343	
	75,547	280	(3)	1,353	(77,176)	—	77,176	(39,091)	(2,108)	—	—	—	(41,198)	35,978	
	145,880	636	232	1,074	—	(5)	147,816	(53,061)	(4,772)	—	—	5	(57,828)	89,988	
	5,180	—	—	—	—	8	5,188	(1,344)	(380)	—	—	(8)	(1,732)	3,456	
	169,330	23,199	6,167	5,854	(293)	2,350	206,607	(25,267)	(5,347)	288	(159)	(1,834)	(32,321)	174,286	
	536,734	279,862	360,213	(211,552)	(12)	—	965,244	(199,801)	(34,773)	12	—	—	(234,562)	730,682	
	15,750	12,373	182	7,527	(337)	48	35,542	(3,085)	(1,508)	333	—	(19)	(4,279)	31,263	
	14	—	77	—	—	467	558	(1)	(61)	—	—	(330)	(392)	166	
Vote 8 - Community and Emergency Services	7,042,021	385,160	252,301	51,394	(4,937)	1,135	7,727,075	(2,655,953)	(255,265)	4,682	(5,215)	(707)	(2,912,458)	4,814,617	
	11,051	—	97	(8)	(16)	(8)	11,124	(8,389)	(284)	16	—	8	(8,649)	2,475	
	412,855	27,834	76,768	(26,545)	(4,456)	(18)	486,438	(194,784)	(15,434)	4,203	—	18	(205,996)	280,442	
	248,625	25,768	22,436	(8,961)	—	783	288,651	(164,898)	(26,650)	—	—	(641)	(192,190)	96,461	
	25,513	—	303	—	(1)	—	25,816	(4,250)	(1,056)	1	—	—	(5,306)	20,510	
	2,094	—	3,512	—	(14)	—	5,591	(1,881)	(127)	14	—	—	(1,995)	3,597	
	294,121	20,717	25,990	(15,002)	(0)	226	326,053	(112,946)	(9,950)	0	—	(87)	(122,983)	203,070	
	2,361,705	286,482	43,922	125,729	(284)	29	2,817,582	(995,554)	(84,933)	283	(5,170)	4	(1,085,370)	1,732,212	
	3,681,854	24,359	57,222	(24,207)	(165)	123	3,739,186	(1,172,985)	(116,000)	165	(46)	(9)	(1,288,874)	2,450,312	
	4,202	—	22,051	380	—	—	26,633	(265)	(830)	—	—	—	(1,096)	25,538	
Vote 9 - Human Settlements and Infrastructure	21,084,855	2,575,154	611,208	1,027,289	(1,184)	105	25,297,428	(5,884,595)	(724,915)	1,106	(368)	83	(6,608,688)	18,688,740	
	1,638	—	172	37	—	—	1,847	(920)	(218)	—	—	—	(1,138)	708	
	1,486,659	1,054,758	175,379	202,103	(41)	13	2,918,871	(511,135)	(43,315)	41	(368)	(2)	(554,779)	2,364,092	
	128,187	4,965	157	—	(366)	13	132,957	(67,152)	(1,343)	307	—	(1)	(68,189)	64,769	
	15,133,696	992,691	357,275	299,127	(776)	179	16,782,191	(4,672,585)	(539,194)	758	—	(44)	(5,211,065)	11,571,127	
	4,334,676	522,740	78,225	526,022	—	(100)	5,461,562	(632,803)	(140,844)	—	—	130	(773,517)	4,688,045	
	28,950,277	4,821,346	1,931,841	(381,247)	(12)	—	35,322,204	(10,099,364)	(1,032,622)	12	(8,883)	—	(11,140,857)	24,181,348	
	632	—	110	—	—	—	742	(348)	(108)	—	—	—	(457)	286	
	9,598,448	1,410,003	282,044	251,705	—	—	11,542,200	(4,036,658)	(348,875)	—	(8,883)	—	(4,394,416)	7,147,784	
	10,095,667	2,386,583	1,427,438	(1,058,538)	(12)	—	12,851,138	(2,427,589)	(260,539)	12	—	—	(2,688,116)	10,163,022	
7,371,625	910,246	202,615	434,920	—	—	8,919,406	(2,299,012)	(360,203)	—	—	—	(2,659,215)	6,260,191		
1,751,733	111,772	19,633	(10,529)	—	—	1,872,609	(1,299,906)	(61,415)	—	—	—	(1,361,321)	511,288		
132,171	2,743	—	1,195	—	—	136,109	(35,851)	(1,481)	—	—	—	(37,332)	98,777		
Total	64,196,915	9,200,766	3,749,240	643,465	(37,627)	869	77,753,627	(22,399,512)	(2,403,443)	34,552	(16,017)	9	(24,784,411)	52,969,217	

eThekwini Municipality

Financial Statements for the year ended 30 June 2020

Notes to the Financial Statements

Figures in Rand thousand

APPENDIX B: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

30-Jun-19 Actual Income R'000	30-Jun-19 Actual Expenditure R'000	30-Jun-19 Surplus/ (Deficit) R'000	30-Jun-20 Actual Income R'000	30-Jun-20 Actual Expenditure R'000	30-Jun-20 Surplus/ (Deficit) R'000
110,506	(1,162,857)	(1,052,351)	175,814	(1,138,983)	(963,169)
16,863,806	(5,365,569)	11,498,236	17,794,635	(5,967,263)	11,827,372
180,281	(797,116)	(616,835)	232,012	(837,313)	(605,301)
210,698	(575,413)	(364,715)	233,883	(620,243)	(386,360)
118,627	(724,378)	(605,751)	111,631	(825,442)	(713,811)
1,392,077	(1,664,275)	(272,198)	1,284,666	(1,863,268)	(578,602)
236,748	(2,437,363)	(2,200,615)	321,700	(3,029,558)	(2,707,858)
159,509	(1,733,354)	(1,573,845)	67,129	(1,795,794)	(1,728,664)
1,663	(230,987)	(229,324)	2,266	(260,820)	(258,554)
3,657,838	(3,895,847)	(238,009)	3,770,863	(4,057,688)	(286,824)
1,333,258	(2,962,161)	(1,628,903)	1,586,046	(3,385,558)	(1,799,512)
6,163,290	(7,707,866)	(1,544,576)	6,951,045	(9,116,597)	(2,165,552)
13,887,779	(12,876,221)	1,011,558	15,094,951	(14,123,828)	971,123
117,071	(276,364)	(159,294)	129,427	(263,361)	(133,933)
44,433,152	(42,409,772)	2,023,379	47,756,069	(47,285,715)	470,354
	(2,484)	(2,484)		(9,478)	(9,478)
(6,881,090)	6,881,090	0	(7,312,369)	7,312,369	0
37,552,061	(35,531,166)	2,020,895	40,443,700	(39,982,824)	460,876

APPENDIX C: DISCLOSURE OF GRANTS AND SUBSIDIES INTERMS OF SECTION 123 MEIMA.56 OF 2003

GRANT DESCRIPTION	NAME OF ORGAN OF STATE	QUARTERLY RECEIPTS					QUARTERLY PAYMENTS					GRANTS AND SUBSIDIES DELAYED/WITHHELD / PAID BACK / ACCRUED				REASONS FOR DELAYS OF FUNDS	DID YOUR MUNICIPALITY COMPLY WITH THE GRANT CONDITIONS IN TERMS OF THE GRANT	REASON FOR NON COMPLIANCE
		SEPT	DEC	MAR	JUN	TOTAL	SEP	DEC	MAR	JUN	TOTAL	SEP	Dec	Mar	Jun			
		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000		Yes/No	
EQUITABLE SHARE	NATIONAL TREASURY	367,797	294,237	220,678	0	882,712	367,797	294,237	220,678	0	882,712						Yes	N/A
URBAN SETTLEMENT DEVELOPMENT GRANT	HUMAN SETTLEMENTS	412,804	505,457	0	0	918,261	127	419	0	0	546						Yes	N/A
FINANCIAL MANAGEMENT GRANT	NATIONAL TREASURY	1,000	0	0	0	1,000	1,000	0	0	0	1,000						Yes	N/A
INTEGRATED CITIES DEVELOPMENT	NATIONAL TREASURY	25,743	25,743	23,625	23,988	99,099	0	3	23,625	23,988	47,616						Yes	N/A
INFRASTRUCTURE SKILLS DEVELOPMENT GRANT	NATIONAL TREASURY	18,800	0	0	0	18,800	141	854	173	100	1,268		5,776	0		Paid Back & Trf Umngeni	Yes	N/A
NRF - SAASTA	NATIONAL RESEARCH FOUNDATION	0	0	0	0	0	0	0	0	0	0						Yes	N/A
GOVERNMENT HEALTH SUBSIDY	KZN DEPT OF HEALTH			0	50,622	212,998	50,622	62,273	49,677	50,426	212,998			0		Accrued Receipt	Yes	N/A
PTCG	NATIONAL DEPARTMENT OF TRANSPORT	126,082	252,165	378,247	8,855	765,349	57,616	180,982	158,464	320,975	718,037		309,587			Paid Back	Yes	N/A
NEIGHBOUR HOOD DEVELOPMENT GRANT	NATIONAL TREASURY	24,500	0	49,500	0	74,000	3,994	35,600	9,054	25,352	74,000		0	1,877		Withheld & Paid Back	Yes	N/A
EXPANDED PUBLIC WORKS PROGRAMME - EPWP	DEPARTMENT OF PUBLIC WORKS	19,690	35,441	23,626	0	78,757	19,690	35,441	23,626	0	78,757						Yes	N/A
DEPARTMENT OF HUMAN SETTLEMENTS - DOH	DEPARTMENT OF HUMAN SETTLEMENTS			0	0	0	0	13,669	0	0	13,669						Yes	N/A
COGTA	DEPARTMENT OF COGTA	0	0	0	0	0	0	0	0	0	0						Yes	N/A
GRANT ACCREDITATION	DEPARTMENT OF HUMAN SETTLEMENTS	3,830	0	0	0	3,830	8,542	16	0	0	8,558						Yes	N/A
NATIONAL ELECTRIFICATION PROGRAMME	DEPARTMENT OF MINERALS AND ENERGY	0	0	0	0	0	0	0	0	0	0						Yes	N/A
DEPARTMENT OF MINERAL AND ENERGY (EEDSM)	DEPARTMENT OF MINERALS AND ENERGY	0	0	0	0	0	0	0	0	0	0			0		Paid Back	Yes	N/A
DEPARTMENT OF ARTS AND CULTURE	KZN DEPARTMENT OF ARTS AND CULTURE			0	0	0	0	0	0	0	0						Yes	N/A
KZN DEPARTMENT OF SPORTS AND RECREATION	KZN DEPARTMENT OF SPORTS AND RECREATION	0	0	0	0	0	0	0	0	0	0						Yes	N/A
MUNICIPAL DISASTER GRANT	NATIONAL TREASURY	0	0	79,763	0	79,763	0	0	0	0	0							
MUNICIPAL EMERGENCY HOUSING GRANT	NATIONAL TREASURY	0	0	0	90,810	90,810	0	0	0	0	0		79,763					
GRAND TOTAL		1,000,246	1,113,043	826,061	195,219	3,225,379	509,528	623,495	485,296	420,841	2,039,161		397,003					

APPENDIX D: MOSES MABHIDA STADIUM & STADIA - DETAILED STATEMENT OF FINANCIAL PERFORMANCE

	2020 R'000	2019 R'000
REVENUE		
Rental of facilities and equipment	36,145	66,463
Rent Bowl & Non Bowl Events	17,719	39,161
Rent Shops	6,442	10,541
Suites & Business Clubs	3,816	592
Hire Hall/ Civic/Rec Cnt	7,456	15,481
Rent Buildings	570	354
Rent Machinery & Equipment	0	10
Rent Parking Bays	142	324
Discounts received	238	31
Grants - USDG	202	0
Other revenue	898	4,023
Other income - Attractions	2,046	3,395
Adventure Walk	324	213
Skycar	0	678
Stadium Tours	1,722	2,504
Total operating revenue	39,529	73,912
EXPENDITURE		
Depreciation - Property, Plant and Equipment & Intangible Assets	116,033	110,536
Depreciation & Amortisation	116,033	110,536
General expenses	164,609	154,174
Electricity	17,060	12,761
Employee related costs	57,341	41,160
Fuel & Oil : Vehicles	470	636
Hire of equipment		0
Other materials	8,130	17,547
Operating leases	405	168
Contracted services	52,847	59,566
OHS Employ wellness	3	41
Stadium Operational Costs	12,054	11,117
Refuse removal	463	336
Hire Of City Fleet	563	577
Water& Sanitation	15,273	10,265
Total operating expenditure	280,642	264,710
DEFICIT FOR THE YEAR	(241,113)	(190,798)